

AMERICAN FEDERATIONIST

Official Magazine of the American Federation of Labor

WILLIAM GREEN, Editor

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AUGUST, 1933, VOL. 40, No. 8

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Are You True to Yourself?

Study that question. Read it again. It's important to YOU! You believe in unions and union principles, don't you? And you work under union conditions—earn your wages as a unionist and help boost the cause.

DO YOU know that the UNION LABEL is one of the biggest things with unions? Just think what the label means! It is an indication that the goods bearing it have been made under conditions for which YOU stand. It shows that the makers of those goods are paying the union scale, and often more. It is an endorsement of YOUR union principles and benefits YOU.

Remember success for one helps for success of ALL unions! Cooperate with your brother workers in the clothing industry by demanding the union label on all your clothing and shirts.

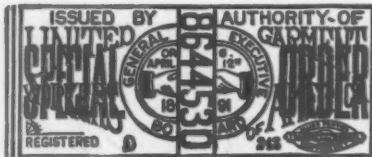
EVERY time you buy goods with the label, you strike a blow at unfair manufacturers, sweat-shops and prison workhouses. You help wipe out the products made by NON-UNION people—people who are working against YOU.

Think, talk and push union labeled products. You owe it to yourself—for your own benefit! Make the union label as important as the price of an article. Get the habit and give it to your fellow-workers. Uplift the good cause and you uplift the welfare of yourself and your family.

WATCH OUT FOR THESE UNION LABELS:



The above label is placed on dress and work shirts, underwear and wash goods



The above label is placed on clothing made to your order



The above label is placed on Ready-to-Wear clothing, overalls and working-men's clothing

UNITED GARMENT WORKERS OF AMERICA

621 Bible House

New York

A Modern Textile Worker

Photo-study by Hine

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AMERICAN FEDERATIONIST



WILLIAM GREEN, Editor

VOL. 40 No. 8

AUGUST, 1933

EXPERIENCE under the Recovery Act shows that organization is indispensable for taking care of the interests of wage-earners.

Employers are organized and in command of data on industry which is needed as a basis for determining standards. The formulation of codes and hearings on codes are concerned with factual data and experience only. Few individual wage-earners have either the

*Union the
Need of the Hour*

time or the facilities for studying the industry as a whole or presenting their cases. That is why they need an agency that will attend to such matters for them. They need repre-

sentatives who have had experience in handling industrial negotiations and know how to present data effectively.

Only one code has been formulated and signed by the President, but its development makes plain the need for organized activity on the part of employees. In the first place, unless Labor contests certain existing definitions and practices they are as a matter of course accepted by the Industrial Recovery Administration. Employees have preempted the term "industry" as though it comprehended owners, physical equipment and machines only, whereas it properly includes

producing workers who are essential to turning out products of standard quality and desired quantity. Eliminate Labor and the industry goes flat. The wage-earners attached to an industry are essential to keep it a going concern and to maintain the good-will upon which business relies. Labor has accumulated experience and skill in handling the tools and materials of production—a part of judgment in production that cannot be transferred. It is misleading to fail to include Labor as one of the integral factors in industry. All the interests of industry come before the Administrator when presented by employers and employees.

Under present practices there are two ways by which codes come before the Administrator: a collective agreement submitted jointly by employers and employees, and a code submitted by the employing interests of an industry with Labor advising the government and presenting views in public hearings. The second method does not give Labor the status which its contribution and relation to the industry justify nor the authority essential to the maintenance of balance in planning and policy making. Labor is not outside the industry but a part of it. Employers and employees should stand upon an equal footing in determining conditions of working together in the industry. Labor can achieve this equality of footing and consideration only when it is organized to mobilize and utilize its strength. Adequately organized, equipped with representatives to maintain its interests, supplied with technicians to interpret industrial data affecting Labor, Labor will be in a position to participate in the government of industry.

It is a rule of life that progress must be achieved. It does not come out of proclamation or law, but individuals must grow into authority and standing—if the purposes of declarations are maintained.

The crux of this opportunity for Labor is organization. Organize so that all workers may have status and influence. Even though the Administrator is willing to consider individual views and protests, the individual worker cannot meet the problems of getting to Washington and submitting prepared data.

Workers generally are realizing their need of organization. In all parts of the country workers are rallying to union standards. From all quarters come calls for help in organizing. Workers in depressed industries, workers under so-called model company unions are asking for real trade unions.

*Responsibility for
Organizing*

From all parts of the country calls come to the Federation headquarters for an organizer to help in organizing work. As this great opportunity for organizing work comes after depression years that have taxed our resources to the limit, the Federation's response is

necessarily restricted. Responsibility for leadership and for initiative must rest with local persons. The very fact that the locality must be self-dependent has the advantage of putting more persons in responsible relationships—and responsibility is a great educator.

If the whole membership of our local unions were fired with zeal for spreading the gospel of unionism, the organizing problem would be largely taken care of. To make the best use of its members in organizing, the union could develop a discussion group to formulate the reasons why wage-earners should belong to that particular union, to enumerate the achievements of the union, and to consider the most convincing ways of presenting arguments.

Every union can provide its members with an opportunity to know the provisions of the National Industrial Recovery Act so that they can tell all other workers how to take advantage of this act and exercise their rights under it.

Every union might arrange with its unemployed members to give a definite part of their time to organizing work. Such an arrangement might be acceptable to the unemployed as a substitute for union dues. When the organizer goes into a new field and gets enough members to constitute a new union, he is entitled to the regular fee for his services. This is an additional opportunity for the unemployed union members which will provide a little income as well as a large opportunity for service.

The American Federation of Labor looks to all union members to make themselves responsible for getting new members. We have now a rare opportunity such as seldom comes to any organization. Upon the way we meet this opportunity depends the future of our movement.

Organizing for Control

Our fundamental economic problem is to achieve balance in our economic machine—in both production and distribution. Our machine is large and intricate. All parts must work together with precision. The integral parts must function perfectly. The big problem is one of learning how to work together. This is why the National Industrial Recovery Act cleared the way for trade associations and trade unions to function for economic control. A group must be organized to enable the individuals concerned to work with other groups and to carry out a program.

The change that is now taking place is reorganization around different moorings and the launching of an endeavor to work together. It will succeed in the same degree that special privilege is abolished. Our present difficulties grew out of the fact that workers have been kept weak and equally unorganized while employers profited by their

opportunity to decide issues not only for themselves but for their employees. Employers have depended upon power and manipulation instead of fairness and facts. We must get the facts of business out in the open where they can be known and understood by all concerned. Codes filed with the government, conferences of the groups concerned, public hearings, are steps in our control program. All the data on conditions of employment, business relations, contracts for goods or services, selling prices and distribution of the income of the business enterprises should be available to those planning for the industry. The collection and interpretation of facts are the essential functions of organized groups operating under the Recovery Act. We are launched upon this experiment in cooperation with and under the leadership of the Federal Government. Labor, capital and the government must maintain the spirit of cooperation, if we work together for mutual benefit, lifting our relationships from a savage contest for advantage to an effort to make and share progress.

Workers who have been discharged without any consideration for what they put into the undertaking or how they were going to live in the interim of getting a job, who have had to manage the consequences of successions of wage cuts, are looking to the Recovery Act as the dawning of a new day. Throughout the whole country, from the Atlantic to the Pacific, from Mexico to Canada, is spreading the spirit of hope. Workers are turning eagerly to the unions, for now the law says employers shall not interfere with your right to join, neither shall they attempt to control the workers' organization. As fear is lifted workers feel free to unite for mutual advancement.

Economic forces are realigning themselves for industrial control from which human relations must be lifted to a higher plane.

*White Collar
Workers*

As we attack the problem of giving jobs to the unemployed and creating buying power to sustain increased business activity, there are shifts in occupations which must be considered in our planning. Agriculture and allied occupations show a relative decline. In 1930, only 21.3 per cent of our population depended on these occupations—a sharp decline from 52.8 per cent in 1870; mining is virtually at a standstill; manufacturing and mechanical industries employ 28.6 per cent of the gainfully employed—still the largest occupational group although a slight decline from 1920, it shows small gain over 1870 when it employed 22 per cent. Trade and transportation, on the other hand, have more than doubled their relative proportion of the gainfully occupied. In 1870, agriculture, mining, manufacturing and construction employed over 75 per cent of our workers, and now only about 50 per cent. This 25 per cent released by technical progress

has mainly gone into transportation, trade and clerical work. They have become an army selling and moving goods—our complex development for wholesale and retail trade—and an equally large group of employees in financial enterprises. In addition to these blocks of white collar workers, others have gone into telephone and telegraph services, have become bookkeepers, accountants, insurance and real estate agents.

It is obvious that our plans for industrial control must extend beyond those employed in manufacturing and producing industries to those in distribution, trade, service, and clerical jobs. These are fields upon which data is less complete and which are less efficient economically. The workers in these fields have problems practically identical with those of wage-earners even though they call themselves salaried workers. A kind of false pride has kept bank clerks, accountants, stenographers, retail clerks, etc., from realizing they needed to form a union in order to have a voice in determining their hours, compensation and conditions of employment. The labor problem is largely the problem of distribution of the returns from collective work—which is equally the problem of the white collar workers.

White collar workers must necessarily be included under industrial codes which the Recovery Administration passes upon. Either they can organize to submit their interests most effectively, or they can accept the casual benefits that come indirectly from the work of organized wage-earners.

White collar workers will be best served by representatives from their own ranks.

Risk

One of the mental obstacles which union organizers have to overcome is the wage-earner's unwillingness to risk the penalties which anti-union employers may impose. Wage-earners with families to support, investments to be paid for, hesitate to start on a course that may cost them their jobs. They fear to take risks even though they know they cannot better their conditions materially without a union.

We can see why wage-earners hesitate and sympathize with their fears for themselves and their dependents, but what about the wisdom of refusing to take risks? All of life is change. We either stand by passively to accept the consequences of change or we attempt to control change by directing the forces that determine results. Whichever policy we follow there is risk. Under our economic rules, those who deliberately assume risk have a chance to gain reward proportionately, while those who merely take the consequences of the risks which others assume lose through their own inaction as well as from the bad judgment of those in control.

What is true of individuals is also true of organizations. Any union that plans only to maintain present gains, and refuses to risk undertakings that will mean progress and greater success, will not only lose prestige but will develop dry rot within its ranks. Now is a period of opportunity such as has rarely come in the experience of labor. The government will no longer put its support back of employers who deny their employees the right to organize. Wage-earners can organize but they must take the initiative on their own behalf. Not all of them realize the opportunity or how to take advantage of it. But the labor movement can carry them a message of cheer and hope and duty. There is always risk, for no one can guarantee success—but with risk goes hope of progress; with refusal to accept risk hope for progress dies.

Wage-earners, individually and collectively, must take risks. This is not an exhortation to recklessness but counsel to face the facts of progress and to prepare accordingly. Plan for progress. Plan wisely and organize to control decisions upon issues that affect us all, and then risk the issue.

The greatest risk of all is to do nothing. Any organization that stops growing begins to disintegrate. Growth involves risk. We must be willing to assume risk if we would gain life more abundantly.

High Costs of Executives

The Federal Coordinator of Transportation has called upon railway executives to cut their own salaries. After four winters of depression, Federal financing of railroads, reduction of railroad employees by 44 per cent, and a cut in wages for those who were retained, with security holders receiving little or no returns, salaries for executives remained practically unchanged except where receiverships have ordered reductions.

The work of the railway executive does not require greater ability than in other industrial fields. There is no dearth of executive capacity making the railroads dependent upon the persons now in office. The Railway Coordinator characterized high salaries of railway executives as a symptom of a boom disease for which no personal blame should be attached but nevertheless an issue that should be adjusted in order for the railways to stand right with investors, shippers and Labor.

Even though salaries of executives may be a small percentage of total costs, the question of equity of distribution is involved. Where public funds and public interests are involved the government has urged that salaries for executives should not be out of line with other factors.

Nor are railway executives an isolated example. Recently the New York Public Service Commission was told that salaries of officials of five electric utilities increased from 17 to 77 per cent between 1927 and 1932. In industry incomes paid to executives are frequently disguised as bonuses. We have on record the million-dollar bonus paid the president of the Bethlehem Steel Corporation.

The payment of executives as well as Labor should be included in the matters that are to be considered in making out better industrial practices and standards. It is Labor's contention that compensation should be in proportion to responsibility and contribution. But there should be dependable standards for measuring these which will convince impartial examination, and which are in proportional scale to standards for other services and contributions. No one official is irreplaceable and no one can succeed without the cooperation of those associated with him.

From July 1 through July 26, 14 charters have been issued to Federal Labor Unions and 54 to directly affiliated local trade unions.

CODE OF FAIR COMPETITION

No. 1

The Cotton Textile Industry was the first to submit a code upon which hearings were held June 27 to June 30, 1933. As a result of the hearing, the employers submitted a revision of the code which General Hugh S. Johnson, the Administrator, submitted by recommendation to President Roosevelt. The President, on July 9, approved the code subject to conditions and interpretations. The conditions which the President imposed made for increased buying power and more even-handed justice for all workers attached to the industry.

Cotton Textile Code

TO EFFECTUATE the policy of Title I of the National Industrial Recovery Act, during the period of the emergency, by reducing and relieving unemployment, improving the standards of labor, eliminating competitive practices destructive of the interests of the public, employees and employers, relieving the disastrous effects of overcapacity, and otherwise rehabilitating the cotton textile industry and by increasing the consumption of industrial and agricultural products by increasing purchasing power, and in other respects, the following provisions are established as a code of fair competition for the cotton textile industry.

I. Definitions: The term "cotton textile industry" as used herein is defined to mean the manufacture of cotton yard and/or cotton woven fabrics, whether as a final process or as a part of a larger or further process. The term "employees" as used herein shall include all persons employed in the conduct of such operations. The term "productive machinery" as used herein is defined to mean spinning spindles and/or looms. The term "effective date" as used herein is de-

finied to be July 17, 1933, or if this code shall not have been approved by the President two weeks prior thereto, then the second Monday after such approval. The term "persons" shall include natural persons, partnerships, associations and corporations.

II. On and after the effective date, the minimum wage that shall be paid by employers in the cotton textile industry to any of their employees—except learners during a six weeks' apprenticeship, cleaners and outside employees—shall be at the rate of \$12 per week when employed in the Southern section of the industry and at the rate of \$13 per week when employed in the Northern section for 40 hours of labor.

III. On and after the effective date, employers in the cotton textile industry shall not operate on a schedule of hours of labor for their employees—except repair shop crews, engineers, electricians, firemen, office and supervisory staff, shipping, watching and outside crews, and cleaners—in excess of 40 hours per week and they shall not operate productive machinery in the cotton textile industry for more than 2 shifts of 40 hours each per week.

IV. On and after the effective date, employers in the cotton textile industry shall not employ any minor under the age of 16 years.

V. With a view to keeping the President informed as to the observance or non-observance of this Code of Fair Competition, and as to whether the cotton textile industry is taking appropriate steps to effectuate the declared policy of the National Industrial Recovery Act, each person engaged in the cotton textile industry will furnish duly certified reports in substance as follows and in such form as may hereafter be provided:

(a) Wages and Hours of Labor. Returns every four weeks showing actual hours worked by the various occupational groups of employees and minimum weekly rates of wages.

(b) Machinery Data. In the case of mills having no looms, returns should be made every four weeks showing the number of spinning spindles in place, the number of spinning spindles actually operating each week, the number of shifts, and the total number of spindle hours each week. In the case of mills having no spinning spindles, returns every four weeks showing the number of looms in place, the number of looms actually operated each week, the number of shifts and the total number of loom hours each week. In the case of mills that have spinning spindles and looms, returns every four weeks showing the number of spinning spindles and looms in place; the number of spinning spindles and looms actually operated each week, the number of shifts and the total number of spindle hours and loom hours each week.

(c) Reports of production, stocks and orders. Weekly returns showing

production in terms of the commonly used unit, i. e. linear yards, or pounds or pieces; stocks on hand both sold and unsold stated in the same terms and unfilled orders stated also in the same terms. These returns are to be confined to staple constructions and broad divisions of cotton textiles. The Cotton-Textile Institute, Inc., 320 Broadway, New York City, is constituted the agency to collect and receive such reports.

VI. To further effectuate the policies of the Act, the Cotton Textile Industry Committee, the applicants herein, or such successor committee or committees as may hereafter be constituted by the action of the Cotton Textile Institute, the American Cotton Manufacturers Association, and the National Association of Cotton Manufacturers, is set up to cooperate with the Administrator as a planning and fair practice agency for the cotton textile industry. Such agency may from time to time present to the Administrator recommendations based on conditions in the industry as they may develop from time to time which will tend to effectuate the operation of the provisions of this Code and the policy of the National Industrial Recovery Act, and in particular along the following lines:

1. Recommendations as to the requirements by the Administrator of such further reports from persons engaged in the cotton textile industry of statistical information and keeping of uniform accounts as may be required to secure the proper observance of the code and promote the proper balancing of production and consumption and the stabilization of the industry and employment.

2. Recommendations for the setting up of a service bureau for engineering, accounting, credit, and other purposes to aid the smaller mills in meeting the conditions of the emergency and the requirements of this code.

3. Recommendations (1) for the requirement by the Administrator of registration by persons engaged in the cotton textile industry of their productive machinery, (2) for the requirement by the Administrator that prior to the installation of additional productive machinery by persons engaged or engaging in the cotton textile industry, except for the replacement of a similar number of existing looms or spindles or to bring the operation of existing productive machinery into balance, such persons shall secure certificates that such installation will be consistent with effectuating the policy of the National Industrial Recovery Act during the period of the emergency, and (3) for the granting or withholding by the Administrator of such certificates if so required by him.

4. Recommendations for changes in, or exemptions from the provisions of this code as to the working hours of machinery which will tend to preserve a balance of productive activity with consumption requirements, so that the interests of the industry and the public may be properly served.

5. Recommendations for the making of requirements by the Administrator as to practices by persons engaged in the cotton textile industry as to methods and conditions of trading, the naming and reporting of prices which may be appropriate to avoid discrimination, to promote the stabilization of the industry, to pre-

vent and eliminate unfair and destructive competitive prices and practices.

6. Recommendations for regulating the disposal of distress merchandise in a way to secure the protection of the owners and to promote sound and stable conditions in the industry.

7. Recommendations as to the making available to the suppliers of credit to those engaged in the industry of information regarding terms of, and actual functioning of any or all of the provisions of the code, the conditions of the industry and regarding the operations of any and all of the members of the industry covered by such code to the end that during the period of emergency available credit may be adapted to the needs of such industry considered as a whole and to the needs of the small as well as the large units.

8. Recommendations for dealing with any inequalities that may otherwise arise to endanger the stability of the industry and of production and employment.

Such recommendations, when approved by the Administrator, shall have the same force and effect as any other provisions of this Code.

Such agency is also set up to cooperate with the Administrator in making investigations as to the functioning and observance of any of the provisions of this Code, at its own instance or on complaint by any person affected, and to report the same to the Administrator.

Such agency is also set up for the purpose of investigating and informing the Administrator on behalf of the Cotton Textile Industry as to the importation of competitive articles into the United States in substantial quantities or increasing ratio to do-

mestic production on such terms or under such conditions as to render ineffective or seriously to endanger the maintenance of this Code and as an agency for making complaint to the President on behalf of the Cotton Textile Industry, under the provisions of the National Industrial Recovery Act, with respect thereto.

VII. Where the costs of executing contracts entered into in the Cotton Textile Industry prior to the presentation to Congress of the National Industrial Recovery Act are increased by the application of the provisions of that Act to the industry, it is equitable and promotive of the purposes of the Act that appropriate adjustments of such contracts to reflect such increased costs be arrived at by arbitral proceedings or otherwise, and the Cotton Textile Industry Committee, the applicant for this Code, is constituted an agency to assist in effecting such adjustments.

VIII. Employers in the Cotton Textile Industry shall comply with the requirements of the National Industrial Recovery Act as follows: "(1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choos-

ing; and (3) that employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment, approved or prescribed by the President."

IX. This code and all the provisions thereof are expressly made subject to the right of the President, in accordance with the provision of Clause 10 (b) of the National Industrial Recovery Act, from time to time to cancel or modify any order, approval, license, rule, or regulation, issued under Title I of said Act, and specifically to the right of the President to cancel or modify his approval of this Code or any conditions imposed by him upon his approval thereof.

X. Such of the provisions of this Code as are not required to be included therein by the National Industrial Recovery Act may, with the approval of the President, be modified or eliminated as changes in circumstances or experience may indicate. It is contemplated that from time to time supplementary provisions to this Code or additional codes will be submitted for the approval of the President to prevent unfair competition in price and other unfair and destructive competitive practices and to effectuate the other purposes and policies of Title I of the National Industrial Recovery Act consistent with the provisions hereof.

Code Approval No. 1

The Cotton Textile Code, a stenographic transcript of the hearing thereof, a report and recommendations of the National Recovery Administration thereon (including a

special statistical analysis of the industry by the Division of Planning and Research), and reports showing unanimous approval of such report and recommendations by each, the Labor Advisory Board, the Industrial Advisory Board, and the Consumers' Advisory Board, having been submitted to the President, the following are his orders thereon.

In accordance with Section 3(a), National Industrial Recovery Act, the Cotton Textile Code submitted by duly qualified trade associations of the Cotton Textile Industry on June 16, 1933, in full compliance with all pertinent provisions of that Act, is hereby approved by the President subject to the following interpretations and conditions:

(1) Limitations on the use of productive machinery shall not apply to production of tire yarns or fabrics for rubber tires for a period of three weeks after this date.

(2) The Planning Committee of the Industry, provided for in the Code, will take up at once the question of employee purchase of homes in mill-villages, especially in the South, and will submit to the Administration before January 1, 1934, a plan looking toward eventual employee home-ownership.

(3) Approval of the minimum wages proposed by the Code is not to be regarded as approval of their economic sufficiency but is granted in the belief that, in view of the large increase in wage payments provided by the Code, any higher minima at this time might react to reduce consumption and employment, and on the understanding that if and as conditions improve the subject may be

reopened with a view to increasing them.

(4) That office employees be included within the benefits of the Code.

(5) The existing amounts by which wages in the higher-paid classes, up to workers receiving \$30 per week, exceed wages in the lowest paid classes, shall be maintained.

(6) While the exception of repair shop crews, engineers, electricians and watching crews from the maximum hour provisions is approved, it is on the condition that time and one-half be paid for overtime.

(7) While the exception of cleaners and outside workers is approved for the present, it is on condition that the Planning and Supervisory Committee provided by Section 6 prepare and submit to the Administration, by January 1, 1934 a schedule of minimum wage and of maximum hours for these classes.

(8) It is interpreted that the provisions for maximum hours establish a maximum of hours of labor per week for every employee covered, so that under no circumstances will such an employee be employed or permitted to work for one or more employers in the industry in the aggregate in excess of the prescribed number of hours in a single week.

(9) It is interpreted that the provisions for a minimum wage in this code establish a guaranteed minimum rate of pay per hour of employment regardless of whether the employee's compensation is otherwise based on a time rate or upon a piece work performance. This is to avoid frustration of the purpose of the code by changing from hour to piece-work rules.

(10) Until adoption of further provisions of this Code necessary to prevent any improper speeding up of work to the disadvantage of employees ("stretch-outs") and in a manner destructive of the purposes of the National Industrial Recovery Act, it is required that any and all increases in the amount of work or production required of employees over that required on July 1, 1933, must be submitted to and approved by the agency created by section six of the code and by the administration and if not so submitted such increases will be regarded as a prima facie violation of the provision for minimum wages.

(11) The code will be in operation as to the whole industry but, opportunity shall be given for administrative consideration of every application of the code in particular instances to any person directly affected who has not in person or by a representative consented and agreed to the terms of the code. Any such person shall be given an opportunity for a hearing

before the Administrator or his representative, and for a stay of the application to him of any provision of the code, prior to incurring any liability to the enforcement of the code against him by any of the means provided in the National Industrial Recovery Act, pending such hearing. At such hearing any objection to the application of the code in the specific circumstances may be presented and will be heard.

(12) This approval is limited to a four months' period with the right to ask for a modification at any time and subject to a request for renewal for another four months at any time before its expiration.

(13) Section 6 of the Code is approved on condition that the Administration be permitted to name three members of the Planning and Supervisory Committee of the industry. Such members shall have no vote but in all other respects shall be members of such Planning and Supervisory Committee.

(Signed) FRANKLIN D. ROOSEVELT.

CODE HEARINGS SCHEDULED THROUGH JULY 31, 1933

Apparel Industry—July 20
Electrical Manufacturers' Code—July 24
Lace Manufacturing Industry Code—July 28
Lumber and Timber Products Code—July 20
Men's Clothing—July 26
Oil Industry Code—July 24
Rayon Industry Code—July 25
Rayon Industry and Synthetic Yarn Code—July 27
Shipbuilding and Ship Repairing—July 19
Steel Code—July 31
Woolen Industry Code—July 24

LABOR STATES ITS CASE AT CODE HEARING

Extracts from Statements by President Green

COTTON GOODS INDUSTRY

INDUSTRIAL codes are the method selected to realize the purposes of the National Industrial Recovery Act.

A Living Wage

One of the first considerations in fixing wages is to give the worker a living wage. The President left no doubt about this in his statement of policy on signing the Recovery Act on June 16:

"No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By 'business' I mean the whole of commerce as well as the whole of industry; by workers I mean all workers—the white-collar class as well as the man in overalls; and by living wages I mean more than a bare subsistence level—I mean the wages of decent living. Throughout industry the change from starvation wages and starvation employment to living wages and sustained employment can, in large part, be made by an industrial covenant to which all employers shall subscribe."

Many studies have been made to determine the amount necessary for a workers' family to live in health and efficiency. Professor Nystrom of Columbia University summarized them in 1929. Bringing his figures up to date with living costs as of December, 1932 (the latest figures of the Bureau of Labor Statistics), we find the minimum necessary to support a

family of five in health and efficiency is \$31 a week. With an \$11 wage, even if two people in a family were working full time, they couldn't possibly keep their family in health and efficiency. Dr. Nystrom's bare subsistence wage is \$26.77 at present prices. But at \$11 a week, both father and mother working could not even support their family at a bare subsistence level; they would be forced to send one or more of their children to work. Do we want to establish a wage which will force child labor?

These figures of \$31 a week for a living wage for a family are based on living costs as they are today. If prices go back to the 1926 level, then the minimum health and efficiency wage for a family of five will be \$41 a week, or 32.3 per cent above the present level.

The class of workers to whom the minimum rates apply should be clearly defined in order to prevent minimum rates from applying to semi-skilled and skilled groups to whom rates higher than minimum should be paid.

Machine Load per Employee

There is great danger that mills will increase the number of machines tended by one worker and thus defeat the purpose of the Recovery Act. The stretchout system, even before the depression, was bitterly resented by workers throughout the industry. We had strike after strike because of it. The following statement from a

worker in a southern mill shows the increasing loads placed on machine tenders; it typifies the action of hundreds of mills; in 1928 workers were stretched out from 30 to 40 looms and in 1929 weavers were further stretched out from 40 to 48 looms. This was in the new mill. In the old mill weavers were stretched out from 48 to 96 looms. The president of this same mill confirmed the statement that weavers in his mill were operating 96 looms and said he knew of one mill where weavers were responsible for 114 looms. How can a man be responsible for quality under such conditions? The statement of Senator Byrnes showed that the stretchout has continued since depression. He cited cases where weavers who had operated 18 to 20 looms in 1929 were now operating 44 to 56 looms of the same type. There is no question that increasing machine load is a grave danger to the purpose we are all trying to accomplish.

Previous Wages in Cotton Goods

In 1924 the average wage for a full week was \$19.72.

1924	\$19.72
1926	17.48
1928	17.30
1930	17.36
1932	14.20

The average full time week in 1932 was only \$14.20 and reports from the Labor Department for the month of May, 1933, show that at present the average weekly wage actually being received by the workers in cotton goods is \$10.40.

If prices are to be raised back to the 1926 level, then wages too should go

back to the 1926 level. That is, the wage in cotton textiles should be at least \$17.48 a week, or an increase of 67.4 from the present level.

Productivity

The worker's productivity in cotton goods has increased 5.4 per cent since 1923.

Productivity was increasing steadily while the worker's wages were steadily going down. The cotton goods industry has to make up a long standing deficit to the workers. That is, this industry has failed to contribute its proportionate share to the nation's purchasing power.

Comparison with Other Industries

The average wage being paid in the cotton goods industry today is \$10.40 a week (May, 1933). We have weekly pay envelopes as low as \$4.54 for 62¾ hours. This average of \$10.40 is lower than that of any other of the 104 industries reported by the Labor Department for May, 1933, save only one—shirts and collars which pays \$9.50 a week. The average wage being paid in all manufacturing industries in May, 1933, was \$17.40 a week. Wages in 29 industries average over \$20 a week, and two industries pay an average wage of \$30 a week or more.

Hours

Since the work available at the May level in industry generally would provide only 25.6 hours per week for all who need work, clearly a week much longer than 30 hours will not answer the purpose of getting the unemployed back to work.

A 40-hour week in cotton goods at the May rate of operations could put 69,700 men and women to work; a 30-hour week could put 210,500 to work; a 32-hour week, 175,300. Textiles should now begin to do their share.

Wage Rates per Hour

To bring hourly wage standards in cotton goods up to those of other industries would require doubling hourly wage rates. The average hourly wage rate paid in cotton goods in May was 21.6 cents per hour; the average for all manufacturing was 42.3 cents.

The only way a man can make a living in the cotton mills is by working very long hours and that is exactly what we want to avoid. Hours of work in cotton mills averaged 47.9 per week in May compared with 38.6 average for the 104 industries of the Labor Department record.

The average hourly wage rate in cotton goods has decreased since January by 5 tenths of one cent an hour, a three per cent average loss in five months. The only gain to workers

has been from lengthening work hours (see attached table). Workers' weekly income in cotton increased from \$9.54 in March to \$10.40 in May, but the increase was due entirely to the fact that hours of work increased from 43.9 per week to 47.9.

Cotton Goods

Month	Wages	Hours	Hourly Wage
January	\$10.10	45.2	22.1
February	10.08	45.3	21.9
March	9.54	43.9	21.4
April	9.69	45.0	21.4
May	10.40	47.9	21.6

Cotton mill wages at the May, 1933, level represent a loss from 1929 of \$133,500,000 a year in workers' buying. This huge deficit constitutes one of the reasons why in May, 1933, manufacturing production was 30 per cent below 1926. Production shrinks or expands in proportion to the ebb and flow of purchasing power. The volume of production conditions the volume of profits. To curtail production is to dry up sources of wealth and incomes for all attached to the industry.

ELECTRICAL MACHINERY

Hours of Work

If the 36-hour week standard is set for the Electrical Machinery Industry by this code no more jobs will be created than those at present existing. For the code actually sets a work week longer than the average hours now being worked in the industry. In May the average hours worked were 34 per week and nearly 200,000 persons were out of work who were attached to the electrical industry in 1929. At pres-

ent employment is only 40 per cent of 1929. The 36-hour week will put absolutely no additional workers on the payroll. In this case the 30-hour week is a conservative standard to suggest for the industry. The 30-hour week would add approximately 17,000 additional persons to the payrolls and even so 180,000 would still be out of work.

Much of this decrease in employment is due to the introduction of new machinery since depression. For at

the present time workers are adding 3.2 dollars value of product per dollar of wages where in 1929 they added 2.9 dollars. Therefore, much of this unemployment is of a permanent nature and will not be reabsorbed unless hours are reduced enough to put men back to work.

The code would provide for 144 hours overtime per year to meet seasonal or peak demands. It should be remembered that 144 hours would increase a 6-hour working-day to 10 hours for 36 days of the year.

Wages

The minimum rates of pay provided are too low. Thirty-five cents an hour for a 36-hour week is \$12.60 per week, much below the minimum to enable a worker to maintain his family in health and efficiency. In fact two workers in a family could not maintain the family at the health and efficiency level at this minimum wage. The Recovery Act specifies that a code must contain minimum wage and maximum hours standards in order to put a bottom under industry. Exemptions and sub-minimum provisions defeat this purpose. The only way to prevent evasions and loopholes is to make the minimum really a minimum. To deny casual and incidental labor the benefit of even a minimum wage is contrary to the purpose of the recovery act. And the minimum wage for learners and casual and incidental labor is only \$10.08 per week. Why should this group who especially need the protection of a minimum wage receive only 80 per cent of the minimum?

The provision that the wages paid to casual and incidental labor and

learners shall not exceed 5 per cent of the total wages paid to process labor in any one month is a noteworthy safeguard. But it does not mean that only 5 per cent of the total working force will be receiving less than a minimum. The average weekly earnings in the electrical machinery, apparatus and supply industry in May, 1933, were \$20.48 (United States Department of Labor, Bureau of Labor Statistics, "Trend of Employment," May, 1933). Two hundred eighty-nine establishments reported a payroll of \$1,990,904. Five per cent of that payroll is \$99,545. At the minimum rate, that 5 per cent of the payroll would spread over 9,950 persons or more than 10 per cent of the total 97,195 employees. In other words, not one in twenty but one in ten employees in the industry may, by this code, receive only \$10.08 a week.

The minimum wage provided will do practically nothing to raise the earnings of men in the industry. According to the National Industrial Conference Board's service letters, unskilled male workers in the electrical manufacturing industry in May, 1933, were averaging 41 cents per hour and \$14.25 per week. This is 6 cents an hour above the minimum provided by the Code and nearly \$2.00 a week. The minimum wage, however, will raise the earnings of women workers a little. In May, 1933, women workers were averaging 33 cents per hour and \$10.09 per week. The minimum wage provision would increase their earnings to 35 cents an hour and \$12.50 a week but even so it would not bring these women workers up to a living wage. According to the Census of Occupa-

tions of 1930 only 15 per cent of the wage-earners in the industry are in the group of women who would benefit by this minimum wage.

The minimum wage thus benefits only women not men heads of families. It will do very little to increase the buying power of workers in the electrical manufacturing industry.

	Hourly	Weekly	Hours
	Rate	Rate	
Unskilled male workers	\$0.41	\$14.25	34.6
Skilled and semiskilled male workers	0.59	17.45	29.4
Female workers33	10.09	30.5

Source: Conference Board Service Letter. Data for the Electrical Manufacturing Industry for May, 1933.

The minimum wage of \$12.60 a week provided by this code is not nearly enough to maintain a decent living standard. The minimum budget for health and efficiency for a family of five at present prices is \$31 a week (Professor Nystrom's figures brought up to date). The code minimum does not even come up to the minimum wage set for single women by studies of industrial commissions and minimum wage boards. These studies set the following minimum budgets for single women:

	Weekly
Colorado Industrial Commission.....	\$17.20
Massachusetts Minimum Wage Boards..	14.00 and 14.65

Texas Bureau of Labor Statistics.....	\$15.00
New York Bureau of Women in Industry (food and room only)	14.69

Administrative Discretion

Section III-d. In giving the Administrator or his representative power to fix lower rates in cities of less than 200,000, it should be remembered that large numbers of electrical workers are in cities of less than that figure. Schenectady, for instance, has only 95,692, and Lynn, 102,320. Some of the largest plants in the electrical manufacturing industry are in these two cities.

Labor Representation

As labor is an integral part of industry, there ought to be provision for labor representation in working out the policies of the industry. There will need to be revision of labor provisions of the code as prices rise and productivity increases. Therefore there should be an organized channel through which labor has representation in the policy-making group. Labor representatives should sit on any board or committee which has charge of supervising the administration of the code and making revisions in the code. Provision should also be made for reopening the code to adjust wage rates or other labor provisions.

LUMBER

In considering any code for an industry under the National Recovery Act, we must find out "how sick is the patient?" "What can we do to get him well?" If we have here in the lum-

ber industry a very sick industry, no halfway measures should be tolerated to effect a slight improvement, but the code should provide heroic treatment to put the patient on his feet.

Employment

Employment in the lumber industry has been declining steadily since 1919, when almost half a million men were employed in sawmills. During the decade 1919 to 1929, employment dropped from 480,945 to 419,084, although production was slightly greater in 1929 than in 1919, due to the increased use of machinery. Since 1929 employment has decreased rapidly until in the first six months of 1933 only three out of ten persons on the rolls in 1923-25 were at work. (The figure from the Federal Reserve Board is 29.7 per cent.)

Hours of Work

Meanwhile, average full-time hours of work declined only slightly from 58.0 in 1921 to 55.8 in 1932. This is a remarkably small decrease in comparison with other industries. In 1932 average full-time hours per week in the sawmill industry were longer than in any other manufacturing industry reported by the Bureau of Labor Statistics, excepting only blast furnaces.

By May of 1933, however, the actual average hours worked per employee in the lumber industry were 40.4 per week.

Now what does the code propose to do about these hours of work? It sets maximum limits varying from 40 to 48 hours for the different branches of the industry. Obviously such hours are no lower and in many cases actually higher than the average hours now being worked by the industry. This schedule will not reemploy any of the unemployed in the industry. And it must be remembered that over

300,000 attached to the industry in 1919 were unemployed in May of 1933.

Moreover, the provisions for exceptions to the maximum hours should be scrutinized very carefully and defined if the limitations on hours are to have any meaning whatever. Schedule A-2 provides that 10 per cent of the employees in any operation, where required by the nature of their work, may work overtime "reasonably in excess of such standards." What is "reasonably in excess of such standards" to one person may well not be reasonable to another; the reasonable excess should be defined in hours or percentage of full time, as well as in the proportion of employees concerned. Then there is a further exception (Schedule A-4) for seasonal employment at operations whose period of operation is necessarily limited by climatic or other physical factors to a portion of each year. The only limitation on overtime is that it shall not extend more than six calendar months in any year. That exception also should be defined in terms of hours, and wages equal to time and a half should be paid for overtime. For the patient will never get well if these extra hours of work which should be employed in putting men back to work are added to the working week of the regular force.

Wages

Schedule B fixes minimum wage rates as low as 22½ cents an hour and 25, 30 and 32½ cents in a number of industries. Labor maintains that these wages are entirely too low. Even the wage of 42½ cents per

hour, the highest set for any of the lumber industries, would not be enough to provide a living wage for a 30-hour week.

A number of these industries which provide these very low minimums in their code count on working their employees 48 hours a week in order to increase their weekly wage. Labor can not accept the principle of setting a wage so low that it requires lengthening hours to give an adequate weekly wage. We believe that such low wages as 22½ or 25 cents per hour combined with a work week of 48 hours is entirely out of keeping with the purpose of the code.

The minimum weekly wages of \$10.80, \$12 or \$13.20 suggested in this code do not provide a decent living in any part of the country. Professor Nystrom's minimum budget for a family of five, brought up to present living costs by Labor Department figures, shows \$31 a week as the minimum necessary to maintain a standard of health and efficiency. Studies of the National Industrial Conference Board in the South and in New England show that the workers' living costs vary very slightly in these two sections of the country. The low wages fixed for industries in the South are not justified by differences in cost of living. If lower wages are fixed for the South it simply means that Southern workers must live at a low standard. If the minimum wage provides less than \$15 a week, then not even two workers in a family can keep the living standard up to the minimum for health.

Wages in lumber have been higher by 73 per cent than they are today.

In 1929 the worker's weekly income in lumber averaged \$19.35; today it averages \$11.14.¹ It is the object of the code to fix conditions under which labor can regain buying power lost since 1929. Especially with the increase in prices which is expected to carry the price level back to 1925-6, it is essential to restore previous wage levels.

Wages in Lumber Are Below Those of Other Industries

At the present time (May, 1933) average weekly earnings of workers in lumber are below those of almost every other industry reported by the Bureau of Labor Statistics. Only six others of the 104 industries reported in May had wages as low as \$11.14 a week reported by lumber. The average was \$17.40 for all manufacturing industries in May.

The wage of unskilled labor in lumber is even lower than this minimum. The Department of Labor reports that in 1932 the average wage actually received by unskilled labor was only \$7.78 a week. How can a man be expected to live on such an income, let alone support a family? This wage is only one-quarter of the budget necessary to keep a family of five in health (Dr. Nystrom's figure). Clearly we have here a very sick industry. The minimum wages suggested by the code would improve a little this very low level, but in most cases they would not furnish a living wage. Does the Administration maintain that this industry should continue to pay wages far below those of other

¹ Source: "Census of Manufactures for 1929," Labor Department for May, 1933.

industries and below a standard for decent living and work longer hours than other industries? Our patient will not recover if such a condition is allowed to continue.

Further Comparisons

The lumber industry in the South has been paying its unskilled laborers a wage that is less than one-third of the average entrance wage paid to common labor in other industries.

In 1932 sawmills in Alabama, Georgia, Mississippi and the Carolinas were paying from 9 to 12 cents an hour. Compare this to 38 cents an hour which is the average entrance rate for common labor in 13 industries. (From Department of Labor Reports.²)

The level of wages in the lumber industry will be seen from a comparison with wages prevailing in the country in all industries.

1. Average hourly earnings, all industries, December, 1932	\$0.467 ²
Average hourly earnings, all wage-earners in sawmills, 1932	0.256 ⁴
2. Average weekly earnings, all industries, December, 1932	16.37 ²
Average weekly earnings, all wage-earners in sawmills, 1932	10.25 ⁴
3. Average weekly wage, unskilled male wage-earners, all industries, December, 1932	13.66 ²
Average weekly wage, laborers in sawmills, 1932	7.78 ⁴

Differential Between North and South

In some parts of the country the lumber industry is actually paying wages under \$5 a week. The Labor Department reports that in Georgia wages of laborers averaged \$3.76

a week in 1932, in South Carolina \$4.18 a week, in North Carolina \$4.65, Mississippi \$4.77, Alabama \$4.85. If these are average wages we know that many must be receiving less than \$3 a week. These wages are being paid for 40 and 46 hours of work per week. If an industry is to hold down wage rates in its code because it has a record of performance like this in the past, what hope is there that the millions in the lowest-paid groups may ever achieve a decent living standard?

Now the circular nature of the argument is evident when it is realized that efficiency of the worker largely depends on the worker's standard of living. This dependence has been proved in a number of surveys and studies in many countries and is no longer debatable. The argument is, in other words, that wages must be low because productivity is low, while in point of fact, productivity is low to a large extent because wages, and hence the purchasing power is low.

A Deficit to Workers of Many Years' Standing

The productivity of workers in lumber industries has increased rapidly in recent years, but their wages have not kept pace, and neither have their hours of work been shortened enough to provide jobs for those laid off by labor-saving machinery. From 1919 to 1929, 60,000 workers lost their jobs because of increased productivity.

From 1919 to 1931 the worker's producing power increased 17 per cent (Census of Manufactures), but the worker's average yearly income

² "Monthly Labor Review," October, 1932.

³ National Industrial Conference Board.

⁴ Bureau of Labor Statistics.

dropped from \$1,018 in 1919 to \$793 in 1931. We have this long-standing deficit in mind when we ask that the wage fixed by the code shall restore labor's lost buying power.

Buying Power of Workers

Purchasing power of workers in the lumber industry has been cut to so low a point that by May, 1933, the total purchasing power of the workers in the industry was less than 18 per cent of that of 1929; that is, workers had lost four-fifths of their entire buying power. A clearer picture for 1933 is provided by average monthly index for the first six months of that year.

Index of Factory Payrolls in Lumber Sawmills 1933—Monthly Averages (1923-1925 = 100)

January	13.4
February	12.8
March	12.3
April	13.1
May	14.8
June	18.6
Average for 6 months.....	14.1

Source: F. R. B. Factory Payrolls Rev. Index.

The minimum wages fixed by the lumber code—22½ to 32½ cents an hour—will do very little to restore this lost buying power. If the object of the Recovery Act is to be accomplished and workers' buying power built up to a level where it can sustain the present activity of our industries, then this minimum wage must certainly be raised.

POET-HEARTS

Nothing's wholly mine on earth
 Other than my lyre's song;
 Tell me has the prosperous throng
 More of beauty than of mirth?
 All of living's deepest treasure
 Mystically is the measure
 Which the radiant singer sheaves.
 None knows with what radiant weaves
 Wonderfully God endows
 Poet-hearts that give Him pleasure.

COUNT JOSEPH VON EICHENDORFF.

From the German by George N. Shuster.

THE DESTRUCTION OF THE LABOR MOVEMENT IN GERMANY

ABRAM PLOTKIN

General Organizer, International Ladies' Garment Workers' Union

THE factors that made it possible for the German fascists to take over the trade unions in Germany are many, but there are a few of first and immediate importance. To those who were on the ground between January 30 and the middle of May it was clear that the trade unions were incapable of withstanding prolonged resistance. What follows is an outline of the rapid developments that brought about their final destruction.

The Press

The first drive of the Nazis after police power was placed in their hands was against the trade-union press. It started on March 2, when the *Jungbuchdrucker* and the *Textilarbeiter* were suspended for two weeks. The *Deutscher Eisenbahner*, organ of the railroad workers, and the *Metalarbeiter* of the Metal Trades Federation, edited by Fritz Kummer, were suspended on March 10. All the other eleven publications of the Metal Trades Federation, the largest single federation in the Allgemeiner Deutscher Gewerkschaftsbund, were suppressed in rapid succession. The newspapers and magazines of Gesamtverband, an organization of 600,000 civil and municipal employees and in public-service utilities, were closed in short order.

Whole issues of the *Holzarbeiter Zeitung*, corresponding to the organ of the carpenters' union in the United

States, and the *Gastwirtsgehilfen Zeitung*, issued by the Restaurant and Food Workers Union, were seized and destroyed. At the same time the leading organs of the central labor councils throughout Germany were either seized or *verboten*. As a result of this muzzling of the trade-union press by the Nazi police power, the workers were left without communication between themselves and their leaders. In a country like Germany, where the sources of information for trade-union members were almost wholly concentrated in their daily and weekly press, the shutting off of their news sources was like the cutting of an artery.

It may be asked why the workers did not fight back, as they did when their press was forbidden during the latter part of March, through the calling of a general strike until the *verboten's* were lifted? The answer is that it was impossible to call an effective strike against the Nazi press. In Vienna the S. D. P. unions controlled the printing rooms even of Nazi and monarchist groups. In Germany that control never was in the hands of the Social Democratic Party. A protest strike, therefore, would have brought no results, except perhaps to intensify the spirit of reactionism and add, no doubt, to the already growing lists of those who were in Nazi *Casernas* and concentration camps.

Physical Terrorism

Three lines of terrorism were followed by the Nazis. The first was to visit the headquarters of the different trade unions and demand that the Nazi flag be hung on the flag-staff of the building. The first squads were small, but if they met with a refusal, they would come back with several hundred more in squads of fifty, surround the building, search the premises for firearms, then make a bonfire of everything that displeased them. Pictures of Marx, Engles, Bebel, Leibknecht, Legien, Leipart, flags and banners that had been the treasures of the unions for many years and marked definite historical epochs for them, records of inestimable value—all were thrown into the flames while the Nazis held a solemn festival around the fire.

In many cases they went further. In the Berlin Central Labor Council Building they wrecked the furniture in many of the rooms, opened the cash boxes and safes, and walked out with whatever they found. In Dresden, where the top floor of the Central Labor Council Building had been used as a hotel, the Nazis fitted up several rooms in sumptuous style, scattered condums and whips about, and then invited the populace to come and see the orgaistic headquarters of the workers' leaders! The hotel in this case was turned into a Nazi *Caserna* and is now one of the Nazi military barracks.

There was hardly a trade union in Germany that, during the months of March and April, did not suffer from these visitations. Nazi striplings would walk in, with the police usually in the background, cock their revolv-

ers, demand the keys, and proceed to search the premises. Invariably they would ask if there was any wine around, and would look surprised when there was none to be found. Refusal to meet their demands met either with a prompt beating or arrest. In one case witnessed by the writer, two girls in the Berlin Transport Union Headquarters, who could not explain the blurred writing on a mimeograph stencil, were arrested and kept in jail for several days. An appeal to the police was useless. Frequently the police were a party to the outrages that were committed. Moreover, the police themselves were intimidated and would do nothing against the Nazi troops. In some cases the unions resisted the raiders with force; in other cases the Reichsbanner men (the former military force of the S. D. P. and trade unions) fought alongside of the trade unionists against the Nazis. But it was a hopeless battle.

The Nazis were armed. The trade-unionists were without weapons of any kind, and the Reichsbanner troops had been ordered by the government to turn in their weapons, such as they had, to the local authorities.

A second form of terrorism was used directly against trade-union leaders. Husemann of the Miners Union was among the first to feel the effects of this policy. Arrested, he was kept in a Nazi *Caserna* for ten days, and when released he was too ill to resume his activities. The chairman (also a member of the national executive committee) of the Transport Workers Council in Berlin was arrested by the Nazis, taken to one of the Nazi *Casernas* and forced to drink a quart of

castor oil, and thrown out unconscious on the street for strangers to pick up and to take home. Not satisfied with their failure to properly intimidate him the first time, they re-arrested him and gave him a fearful beating.

These persecutions, perhaps, were most virulent in such districts as Mecklenburg, Brunswick, Wurttemberg, the Palatinate, and in Bavaria. In these districts hundreds of organizers and secretaries of local unions had to leave for other parts of the country, or, as many of them did, take refuge in the forests. Even Leipart and Grassmann, two officials of the A. D. G. B., had to be taken to the hospital after their arrests. All of the trade-union leaders under arrest were first taken to the Nazi *Casernas* (the Nazis have been permitted to set up their own courts and maintain their own jails!); and once in there the men and women under arrest were treated with a brutality that has no parallel in any civilized country.

A special kind of terror was introduced in the factories. It consisted in ousting, by force, the social democratic members of the factory councils, either through dismissal or arrest. It should be remembered that every factory in Germany must, in conformity with the law, elect a factory council, whose work it is to enforce the national wage scales agreed upon between the employers and the union, the regulation of working conditions, discharges, lay-offs, etc. For many years the Nazis had entered the elections and placed their own tickets in the field in these factory council elections, but had never been

successful. Now that Hitler was in power, they proceeded to oust these factory councils that had been elected. Thus in Bochum the transport workers elected eight men as their industrial representatives, of whom five were S. D. P. men. (The elections in this case were held prior to the taking of power by Hitler.) Immediately after the March 5 elections, the five S. D. P. men were arrested and jailed. The same thing occurred in the Siemen's Electrical Plant in Berlin (similar to the General Electric Company in the United States), and here some of the men were jailed and others dismissed. Among those dismissed was Erick Lubbe, a member of the Reichstag, chairman of all the Siemen factory shop councils in Germany and labor's representative on the board of directors of the Siemen's corporation.

After April 1 there was somewhat of a lull in these persecutions. Seldte, Minister of Labor, accommodatingly issued an order setting aside the factory elections that already had been held, and announced new elections some time in the future. On the day when the anti-Jewish boycott was at its height and the newspapers had no space for anything else, this decree was hidden in an obscure corner of the average newspaper.

The third method of direct physical force against the trade unions was to occupy or *besetzen* the trade-union buildings. The *besetzung* is different from the raids. The first lasted only a few hours. The Nazis would come in during the night, hang up their flag, break through the doors and search the building, and then disappear. The *besetzung* was the actual taking

over of the buildings by the military forces of the Nazis. These preceded the final investment of the buildings on May 2, and were local actions, usually under the guidance of the local military post of the Nazis. Usually an incident would happen, as in Breslau, where a number of Nazis were hurt during a riot following a parade past the *Gewerkshaftshaus*, that would give the local arm of the Nazis an excuse, and a few hours later they would take over the buildings, bank accounts, books, etc., "in the interest of the Nazi state and to protect the workers' rights." The writer saw the *Besetzung* of the *Gewerkshaftshäuser* in Berlin, Dresden, Munich and in Bochum.

During the two months prior to May 2, there was hardly a city in Germany where the *Gewerkshaftshaus* was not occupied at one time or another. Every city in the state of Saxony suffered. It became a matter for congratulation if one visited a city where a *Besetzung* had not taken place. In one city, Frankfort on Main, the congratulations offered by the writer were premature. Three days after leaving a short notice in the press announced that a cache of firearms had been found on the grounds of the *Gewerkshaftshaus* and that it too was occupied. But through these occupations three important factors developed.

The first, as in Saxony, the military announced that Hitler had promised them work, and that they would not give up the houses until the work promised them would be forthcoming. The second was the impounding of the funds, not only of the trade unions but those of a number of the labor

banks as well, and only enough funds were released as were needed for current expenses. The result was that many of the unions that had planned to get at least a part of their funds out of the country were thus check-mated.

But the most important results of these *Besetzungen* lay in a development not foreseen by the Nazis. They had expected that the masses would respond to this show of physical force and would welcome them with open arms. Nothing of the sort took place. If the masses were rapidly becoming demoralized, they were not, as far as the writer could see, taken in by the phrases and promises made to them by the Nazis.

Espionage

Still another factor made the lives of the trade-union leaders in Germany anything but a bed of roses. The censorship of the mails played no small part in contributing to the final breakdown. That letters were opened and read was the least problem for many organizations. The problem was how to have their mail reach them. In numerous instances information dealing with the *Besetzungen* could not be gotten through to Berlin except by courier from the *Gewerkshaftshaus* involved.

When the *Gesamtverband* was invaded on May 2 all of the employees were marshaled into the main hall of the building, and when the officers asked if there were any Nazis among them, the mail clerk, an old and trusted employee of the *Gesamtverband*, and the telephone operator stepped out of the ranks.

Later it developed that Reuter, private secretary of Polenske, president of the organization, was constantly in touch with the Nazis, as was Buchhalter, a member of the national executive committee! The subjects discussed and the decisions arrived at were known to the Nazis before the members of the organization, and in many cases members of the unions never knew what the decisions of the officers were because the communications got "lost" in the mails. In this case, even the communications of the president, confidential orders from the chief to his subordinates to all parts of Germany, were known to the Nazis before the ink on the signatures was dry.

In the matter of the mails the difficulties became so great that the international secretary of one of the largest unions in Germany asked permission of the writer to have his confidential mail sent on the writer's name and address. A second official, the president of a large organization, came to the writer in desperation. He heard that I was going into southern Germany. Would I get in touch with some of his people there and arrange some method of underground correspondence? He had written repeatedly, and there had been no response for weeks.

It gave the writer an opportunity to see something of the labor movement in the rest of Germany. The story everywhere was the same. In Dresden, Munich, Frankfurt, Coblenz, Cologne, Essen and Bochum, the trade-union houses either had been or were *besetzt*, except in Frankfurt, where the *Besetzung* came later. Trade-union leaders either had been

arrested or were in hiding, or were working under terrible difficulties. Each city was a repetition of the last one. The moment the military took over the trade-union buildings the workers stopped attending meetings, whether called by the Nazi labor "cells" or by their own leaders. Even as in Munich, where the military quickly decided to loosen its hold, the workers answered: "No dues for Hitler to steal." Until the buildings were returned to the trade unions, all activities came to a dead stop, and even after they were returned the greatest difficulties were encountered in reviving activity. In many instances officials had to pledge themselves to their members that they would sequester the moneys paid in for dues, etc., until the status of the trade unions under the Hitlerian régime was clarified.

A General Strike Impossible

To meet this terror with a general strike, as the communists demanded, was impossible. In itself, excepting during the period pending agreements on wages, etc., and even this was subject to arbitration, the strike in Germany is not a legal weapon. Orders issued by the government a few days after Hitler came into power made the general strike a capital offense. As far as the leaders were concerned, these orders had very little effect. It is known to the writer that a general strike was seriously discussed in the councils of the trade unions as late as the end of March. But it soon became evident, except as a grand gesture, to call a general strike would be useless. One single factor that made the leaders realize that it would

be suicidal to call a general strike was the eight millions unemployed. Among these unemployed are 1,400,000 young men between the ages of 18 and 25 who are denied any form of state aid or poor law relief, young men who have served their apprenticeship, who are eager to displace those who have what work there is. These young men have been promised work by the Nazis, and in their present state of mind to take the places of Marxists and Communists would take on the color of a holy crusade. With only 12,000,000 wage-earners employed in Germany today, and of these less than half in industrial establishments, and a much smaller number in those industries that are decisive in a general strike—railroads, public utilities, such as water, gas, electricity and local transportation—it would not have taken the government long to break a strike in these fundamental industries and to keep them running. Of the other industries we need consider only one. In the building trades there are 400,000 members, and of these only 15 per cent are employed. Assuming that the 15 per cent would respond to a general strike call, something which was extremely unlikely—how long would it have taken to replace these 15 per cent? As one trade-union leader put it—with the press muzzled and the lines of communications blocked, it was doubtful whether the great majority of German trade-unionists would ever have known that a general strike had been called until it was too late. The general strike depends primarily on the rapidity and the swiftness with which

it is called. In his opinion, it never would have gotten started.

There is still another factor that must not be overlooked. The past ten years have been filled with charges made by Nazis and Communists that the leaders of the trade unions in Germany had stabbed the German workers in the back and that social democracy was responsible both for their misery and their unemployment. The years of libel and villification had their effect upon the masses. Not unemployment alone caused the loss of membership suffered by the trade unions; part of that loss was due to the lies and slanders spread against the trade-union leaders and Social Democrats. In the face of unemployment and the demoralization of the rank and file a call for a general strike would have been ineffective.

Negotiations with the Nazis

At this point it were well to emphasize the factors that led to considerable and protracted negotiations between the government and the trade unions. While the raids and occupations of the trade-union houses had been going on for some time, these were the acts of local military forces and not the acts of the national government, and a sharp distinction should be made between the two. While there had been indirect negotiations since the middle of March, no definite proposal had been brought forward that could be used as a basis for negotiation. These matters rested until the local military forces throughout Germany began to take things into their own hands. It later developed that the Hugenberg mem-

bers of the cabinet, distrustful of placing too much power in the hands of Hitler, were not eager to sanction a step that would make him master of additional millions of German workers. In the meantime the national leaders of the Nazis realized that these local raids and persecutions were gaining them nothing. They therefore called a truce and started conferring with the union leaders. As a result of these conferences most of the administrative buildings were ordered returned to the trade unions, and most of the trade organs resumed publication. The Nazis, on the other hand, demanded that they be recognized as part of the legal machinery in the settlement of disputes. They wanted the unification of the different trade unions, their disassociation from the Marxist internationals with which they were affiliated, the lowering of dues, etc. In all of these matters, at least on the surface, progress was being made. The German trade-union leaders realized that they could not function under the new régime as they had functioned in the past. They were willing to make concessions to safeguard the gains they had won under the Weimar Constitution—the system of compulsory national bargaining on wages, the labor code, the social legislation, the 48-hour week. The atmosphere during the last week in April seemed, therefore, much more hopeful than at any time during the Hitlerian régime. The action of May 2 came as a complete surprise.

The Week of May 1

The week before the first of May was a week of optimism. The skies

seemed clear except for one small cloud—the first of May celebration announced by Hitler. The organizations had been asked to participate, but to both workers and leaders it seemed a travesty of the workers' holiday to celebrate it under fascist orders. Then came the government's ruling that the employers would have to pay the workers for the day. Then came the notice that those who refused to march and to take part in the celebration would be considered as being opposed to the government—no light offense in Germany at the present time. Those who refused to report and register with the Nazi shop committee would be subject to dismissal. When the leaders realized that to maintain official opposition would result in thousands of discharges, they yielded. The results were tragic.

In the morning the workers gathered in front of the factories, greeted the employers, and marched to the starting points where the parades were slated to begin. There were eleven such columns organized in the different parts of Berlin. Each line was presumed to parade one hundred thousand workers. In the three parades I witnessed it was doubtful whether more than half of those who were expected had come. Nevertheless more than a million people were assembled in the Templehof aviation field to take part in the demonstration. As the organizers anticipated, the excitement, the crowds, the fireworks, the adulation heaped on Hitler, had their effect. Even those who were embittered by the spectacle, one that had the air of a Roman holiday, were impressed.

Week of May 2

On the morning of May 2 I had an appointment with Martin Plettl, president of the Garment Workers Union. I phoned to make certain that he was in. The voice that answered was not the voice of the usual operator. I was asked my name, address and occupation. Only afterward was Plettl's secretary permitted to come to the phone. I overheard instructions given her that she must speak only in German. Then came Miss Heinrich's hysterical voice. She could not speak to me . . . there was trouble . . . I would understand. Thinking it was another local *Besetzung*, I called the A. D. G. B. house but got no response. I then tried the Metal Workers Building. The phone bell rang but there was no answer. I then tried the Gesamtverband building and the same thing happened there. Fifteen minutes later I was in front of the headquarters of the A. D. G. B. It was surrounded on its three sides by the Nazi military. The staff and records of the A. D. G. B. were being loaded on police trucks. Ten minutes' rapid walking brought me to the new building of the Metal Trades Union on Jacobstrasse. The same sight there. I jumped into a taxi and drove to the Gesamtverband building on Michaelkirchplatz, at the intersection of Ingelufferstrasse, where the Gewerkschaftshaus is located. The street was roped off and the building surrounded on both sides by the military, while the complete length of Ingelufferstrasse was lined by Nazis. It was the end. Everyone of the heads of the thirty-one organizations in the

A. D. G. B. had been arrested, and the important secretaries in the national office as well.

Plettl, with whom I had been intimate, Otto Schweizer of the Engineers and Technicians, Brandeis of the Metal Workers, Husemann of the Miners, Vomerhaus, organizer of the Brandenburg district, Otto Engel, secretary of the Agricultural Workers Union, Franz Furtwangler, Walter Maschke, Frau Hanna, Kuno Broecker, Leipart and Grassmann, the two presidents of the A. D. G. B.—every one of the leaders arrested, not by the police but by the Nazi military troops. Fifty were arrested the first morning; the others were picked up in the succeeding days. This in Berlin alone—how many were arrested throughout Germany is not known and probably never will be known. For days those arrested were kept in the Nazi *Caserna*. Only later were they transferred to the city prisons.

In the afternoon the newspapers carried the first stories of the taking over of the trade unions and arrests and announcing its national character and direction. In every city and town in Germany where there was anything in the way of organized labor, promptly at 10 o'clock in the morning the Nazis marched in, arrested the leaders, ordered the office staffs to remain at their work, announced their "commissars" (the term was borrowed from the Russians by the Germans precisely as the Russians lifted it out of the French Revolution), and that henceforth there would be only one organization, free from the taint of Marxism, and that it will be the "future cornerstone of the Nazi State."

On the third every kiosk in Germany was plastered with posters announcing the "resurrection" of the trade unions. At the same time the newspapers carried the offer of the Christian Unions to join the Nazi organization, side by side with vague charges and innuendos against the incarcerated trade-union leaders. All of the newspapers joined in proclaiming a "new day" under the bountiful blessings of the Nazi control.

The following day brought the announcements of the appointments of Dr. Ley and Dr. Engels as the chief "commissars" to take the places of Leipart and Grassman; a mass meeting of the workers to be held in the Lustgarten on the fifth, where the new "commissars" would announce policy that will guide them in the handling of the workers and their problems; and that a national congress of the "new" union would be held on May 10 in Berlin.

The *Nachtausgabe* listed charges against the imprisoned leaders, charging financial corruption. The heavy stress is laid on the donations that the A. D. G. B. made to the S. D. P., the Reichsbanner and to the International Federation of Trade Unions!

Standing on Unter den Linden on Friday (5th), I watched thousands of workers as they marched in from their factories into the Lustgarten. Each factory's workers, as soon as the work was over, were met by contingents of Nazi troops. Squads in front and squads behind, and guards at the sides to make certain that no one slipped away; they passed in the thousands. Sickened, yet fascinated, I walked into the Lustgarten. I did not stay long. I stayed long enough

to size up the crowd—there were perhaps between 60,000 and 70,000 workers present; there to hear the first principles of Nazi trade-unionism as taught by their new "commissar," Dr. Ley. "I order you to stop thinking. . . . I order you to keep silent and to obey orders. . . . And I order you not to question the things I demand of you. . . . We will know how to treat and exterminate the poison of Marxism out of our system. . . ." There was no applause and less enthusiasm. The German workers being told once more to conform and to obey. Most of them seemed bewildered and it is doubtful whether they even know what has happened to their leaders; those who do know are keeping a discreet silence.

The Aftermath

Among the first orders of the Nazis to the workers was to demand a report from their cells on the number of arrests in the different communities in Germany! They were fearful of the consequences of the acts of their own followers. Then came an order forbidding workers from withdrawing from the unions—and that they must pay their dues and arrearages—or face the loss of their jobs. All of the organizations, the Catholic Unions, the A. D. G. B., etc., have been placed under one single control. They are rapidly being nationalized and their old spirit of class consciousness is rapidly being destroyed. What the Nazi aim is, no one as yet knows. They promised to formulate a program, but in the speech of Herr Hitler to the delegates attending the national congress on May 10, he said

precisely nothing. Dr. Ley and Dr. Engels, aside from vague generalities, have been equally silent. The truth is that up to the present day they have no program except to destroy Marxism—and, for a while at least, will be more preoccupied with heresy-hunting than with programs. The following excerpt from one of the members of Gesamtverband, which reached the writer through underground channels, tells its own story. It is worth quoting.

"Our organization," he writes in behalf of his group, "continues to exist." (The letter deals with conditions among governmental and public-utility employees.) "The dwindling membership has ceased. The 'Christians' have been annexed to the organization. All those employed in factories are obliged to join the organization under threat of dismissal. Yet, in spite of everything, thousands of our best functionaries" (workers in the civil-service sense) "are now in the streets without receiving their ordinary or unemployment relief." (In Germany the trades unions have built up their own unemployment insurance schemes.) "In spite of having belonged to the organization dozens of years, comrades have forfeited all rights. Among our employees in the Reich" (federal government) "about fifty are either dismissed or in prison, while others have committed suicide.

"On Saturday we had a district leader conference at which commissars of the N. S. B. O. were also present. The session lasted eight hours; it was taken up with insults against our employees and functionaries. It was the worst meeting we ever endured. All our work was made nothing of, and words like 'tramp' and

'riff-raff' were comradely expressions. Matters will fall out so that the already reduced wages will be further cut in half, and employees who have received notice will be put out upon the streets. Passports will be taken away and the demand has been made that every employee who still belongs to the party" (Catholic or Centrum) "shall be denounced, so as to make it possible to dismiss him without delay.

"No more meetings take place. Only one man makes all decisions. We have only one hope—to get out of this misery as quickly as possible. We ask to be excused from writing, since we are all put under the strictest censorship. . . ."

This letter is typical. It gives a hint of what may come, and requires no comment.

Did the German Trades Unions Have a Program?

When the writer arrived in Germany in November, his first impression was that the Communists had a program but no real power; that the trade unions had power but no program. He soon learned that the Communists' lack of strength was due to their failure to have a program of their own, and that the trade unions had only an outer appearance of power, and really had a program. The Communists wanted an organic unity with Russian bolshevism at a time when Russia dreaded such a possibility and would not have known what to do with it if it had come her way. The trade-unionists and Social Democrats had opened the road to socialism in Germany through democratic means, but in the process they had greatly weakened themselves. When the crisis came both went down.

Since it was upon these two groups that the workers, both in Germany and outside of Germany, depended, and had faith in, let us see what happened to them.

The Communist Party, in spite of its 6,000,000 votes, had no real strength. At the mass meetings of the C. P., where hundreds of thousands were present, one saw German workers in mass, but in the main they were the unemployed. If one will take the growth of the Communist vote in Germany and compare it with the growth of unemployment, he will find that the two parallel each other, yet in spite of the rapid growth of its vote the Communist Party in Germany was not gaining in membership. The Russian background to the movement, their many promises of revolution that did not materialize (the writer was told by Communists in Germany that the German Communists were ready but that the Russian Communists told them to wait), their splitting policy in the trade unions that won them very few adherents (but did incalculable harm to the trade unions), their occasional collaboration with the Nazis both politically and industrially, and their failure to take action when their Red Troops were dissolved, foreshadowed their end as a party of real opposition and revolution. One does not deny their courage or sincerity. They had both. But it must be insisted upon that they had no power and no program, and in the face of superior force, they went down, like all the other parties opposed to Hitler. The writer saw the counter-demonstrations ordered by the Communist Party as a protest to the Nazi meet-

ing of January 22 arrogantly held in front of the Karl Liebknecht house, the Communist headquarters. Twelve thousand Nazi troops were addressed by Hitler; 16,000 police, with rifles and machine guns, guarded all the approaches, the roofs surrounding Bülow Platz, and rifles were trained on all the closed windows. It seemed that most of Berlin's population milled in the surrounding streets, trying to reach the Nazis who were deliberately provoking an outbreak. But the Communists had no arms, and aside from crowding and cheering and singing, no really serious disturbance occurred. It may be said that if real opposition had manifested itself on January 22, Hindenberg might have considered twice before appointing Hitler. But even the Communists had to think twice before sending their unarmed followers against the rifles and machine guns of the police. From that time on, a pessimism spread through the ranks of the Communists in Germany that marked their end, regardless of the turn of future events. And later, when Hitler was already in the saddle, and they were confronted with being outlawed, they threw overboard their past policy of noncollaboration with the Social Democrats, and were willing to vote with them in the Prussian Diet in order to elect an anti-Hitlerian cabinet. Such a policy, adopted three months earlier, would have made Hitler's arrival in power an impossibility.

But if the socialist trade-union leaders had a program, by the time Bruening came on the scene their power and influence on the nation had already been greatly undermined. On

the conclusion of the war their program of necessity had to be two sided. They had to rescue the nation from the dangers of invasion. They had to rebuild the economic life of the nation in order that at some more propitious moment, socialism, which was their final goal, could be realized. The first presented almost unsurmountable difficulties. The Communists wanted to introduce sovietism immediately, which would have involved civil war and intervention by the Allies had sovietism been successful; and this in a nation where hundreds of thousands were actually starving to death. And it must be kept in mind that under the Versailles Treaty all the property of the state was in jeopardy for reparations, as afterwards developed in the mortgaging of the German railways. Faced with these dangers, Carl Legien, president of the German trade unions, steered away from these dangerous shoals and decided that to feed and to put the nation back to work was their first task, and at the same time to leave the doors open for the ultimate realization of their philosophic and economic doctrines. How far they were successful can be seen from both the internal and external changes that took place within Germany after the war, and the reconstruction of its external relations in the face of international hatred and opposition. The Weimar Constitution placed the German working class on a far higher plane than in any other country in Europe. Externally, the opposition to the revisal of the Versailles Treaty was slowly being destroyed.

To achieve these results, however, the socialists and trade-unionists had to pay a terrific price. In the face of the injustices, inequalities and barbarous exactions of the Versailles Treaty, these leaders had to advise patience and caution. The signing of the Versailles pact (under such terribly humiliating conditions to Germany) afterward became one of the vehicles on which Hitler rode into power. The Ruhr invasion and the inflation that followed, the signing of the Dawes Plan and later the acceptance of the Young Plan, though seemingly concessions towards Germany, actually were body blows to German Social Democracy and to the trade unions affiliated with it. With every "revision" the German people only saw another humiliation, and listened with growing eagerness and attention to criticism directed at their leaders, until large sections of them were convinced that patience and caution would lead them nowhere. With this conviction came the growth of numerous parties of opposition, the emergence of the Catholic Centrum, the first manifestation of reaction when Hugenburg and his Junkers National Socialists became a power in the Reichstag with 107 members whom the acceptance of the Young Plan split, the growth of the Communist opposition and the rise of the Hitlerian National Socialists. And with the growth of these new parties, particularly the Communists and the Nazis, also came a growth of trade-union opposition. Thus the Communists first built their cells in the S. D. P. trade unions and tried to "capture" them. Failing in that policy, they tried to organize unions

of their own. That they were not successful does not measure their effect. As a trade-union opposition they were able to circulate rumors and libels against their opponents, which too frequently were believed, and even if they led to no results for the Communists, they doubtlessly had an effect in creating a lack of faith and a demoralization in the ranks of the Social Democratic trade unions. The same tactics were used by the Nazi Party. They also established "cells" in the factories, and in some trades established their own factions as trade unions. And in some instances, in the late transport strike in Berlin, to be specific, called on the eve of the elections in November, 1932, the Communists and the Nazis combined in calling the strike—obviously a collaboration between these two enemies that could have had only one object—to smash the prestige of the Social Democratic leaders of the trade unions.

The persistent undermining of the trade unions could lead to but one result. By the time Brüning was appointed Chancellor, with dictatorial powers, the leaders knew that their strength had been sapped and that until the dangers of Communism and Nazism, particularly the latter, were disposed of, their program and their plans were in danger. It was then that the policy pursued by the S. D. P. and the trade unions, for the time being, underwent a radical change. With Hitlerism growing at a cyclonic rate (the causes of which are too many to enter upon in this discussion), the S. D. P. and its trade unions decided that it would be wiser to adopt the policy of tolerating the

"lesser" evil, than to permit power to fall into Hitler's hands. That this policy was a temporary expedient is shown by subsequent developments. The discarding of this policy during the Von Papen régime undoubtedly opened the door to Hitler's entrance into power.

The policy of tolerating the "lesser" evil did not last long. With Von Papen's appointment the left wing forces in the trade unions and in the S. D. P. were turned loose, and how thoroughly they wrecked that gentleman's aspirations was indicated in the election results. At the end of the count it was found that not a single party in the Reichstag was willing to work with him, and all that he could muster was less than 10 per cent of the membership of the Reichstag. But developments during the Von Papen chancellorship pointed in new directions. For one thing, Von Papen had thoroughly frightened the signatories to the Versailles Treaty and this resulted in practically eliminating reparations from the German budget. The second lay in Von Papen's attacks on the social and labor legislation in Germany. He gave the industrialists even more than they expected from him. Unemployment insurance was, to all intents and purposes, emasculated. Advance taxes, over which American publicists waxed delirious with praise, were used to subsidize employers who were willing to fight the trade unions, resulting in what almost amounted to a landslide of wage cuts and strikes, and the social as well as the labor legislation of Germany was threatened with extinction. The landlords and industrialists had, at last, found their man!

But it was not to last long. When the election returns were in, the opposition to Von Papen was so strong that Hindenburg dared not reappoint him.

With Von Schleicher, Von Papen's successor, things took a different turn. Having learned from the experience of Von Papen, Schleicher decided to be more moderate. Von Papen's antilabor decrees were promptly annulled. Other decrees followed that stopped the epidemic of wage cuts. Trade-unionists became optimistic once more. Moreover, in the November elections, Hitler lost 2,000,000 votes and 30 seats in the Reichstag, and 30 more seats were deflected from him through an internal fight between himself and Gregor Strasse; while the industrialists, on Hitler's failure to at least hold his own in the November election, decided that Hitler's days were numbered and therefore cut off a large portion of their financial support. The writer saw two barracks in Berlin alone that had been closed for lack of funds. During the months of December and January the Nazi troops were sent begging on the streets of the cities in Germany to keep their organization alive and Hitler was compelled to admit being 5,000,000 marks in debt—a huge sum in Germany—the writer saw two barracks in Berlin alone that had been closed by the Hitlerians. It is therefore understandable, with these facts known, why, in spite of Schleicher's apparent liberalism, the left wing of the S. D. P. and the Trades Unions, grew too optimistic. They were certain that Hitler was through, and wanted nothing to do with a man of the military caste who might have dictatorial aspirations of his own.

Therefore, when Schleicher asked the socialist groups to continue the same policy of toleration that they had exercised during Bruening's time, they refused. It may be added that the older heads in the trade unions and in the S. D. P. were not entirely convinced that Hitler was through, and were willing to come to an understanding with Schleicher until the Hitlerian danger would be completely dissipated, but the left wing elements tied their hands and refused to go through with the programme. Unable to form a cabinet that would obtain parliamentary support, Schleicher handed in his resignation and left the door open for the Von Papen-Hitler-Hugenburg cabal that made it possible for Hitler to become Chancellor of Germany, take over the police powers of the state, and start his campaign of suppressing all opposition. Once Hitler was in, it was certain to all observers, that nothing short of war with a foreign power or a revolution at home, would ever succeed in dislodging him. And the German trades unions, after the years spent in rebuilding their national life, of fighting their way out of the injustices and exactions of the Versailles treaty, and of withstanding criticism and villification from their enemies at home, were too weakened and demoralized to undertake a revolution. The wonder is that the crumbling of the weakened trade union machine did not take place sooner. On the contrary, it must have taken almost superhuman efforts on the part of German trade union leaders to hold their organizations together as long as they did.

Only nit wits or those who are blind, therefore, will condemn the

German trade union leaders for being without a programme. Every step was carefully measured and every step carefully weighed. That their programme was, because of shortsightedness and over optimism, defeated, is true. But it should be borne in mind that if they erred in their plans, the criticism hurled at their heads ought not to come from the liberals. If their programme was smashed, and the trades unions along with it, it should be remembered that the error in their calculations resulted from the assumption of the left winger's policy and not from too much conservatism!

Moreover, it is hardly fair for the socialists, liberals, and trade unionists in the former allied countries, to, at this late date, criticize their German colleagues. Rather, it seems to the writer, it would be wise, and timely too, for these groups to stop and consider how much of the responsibility for the debacle in Germany should rest on their own shoulders. All of them knew the conditions in which German socialists and trade unionists found themselves after the forced armistice, and all of them knew that any party in Germany could not survive the Versailles treaty unless the injustices in this instrument were done away with; every one of them knew that Germany could not survive if the harshness and inequalities in that barbaric instrument of "peace" were applied in full force against the Germans. And in their failure to put sufficient pressure on their governments to at least mitigate the harshest features of the treaty they not only helped to bury the socialists and trade unions in Germany, but helped the reactionaries in Germany in their efforts to

destroy all faith in internationalism.

One word more must be added. The writer was in Germany from November until May 8. He met, and was intimate with, many of the leaders of the German trade union movement,—during the darkest hours of the tragedy. They met both their fate, and the issues that confronted them, with genuine courage. It took courage to avoid pitfalls that might have led to the slaughter of tens of thousands of workers, and the victimization, perhaps, of hundreds of thousands more. It was doubly courageous to remain at their posts, as practically all of the national leaders did, until the guns of the Nazis ordered them into the lorry on their way to the military barracks. These leaders knew what was awaiting them. And they faced their arrests unflinchingly. When the real story is told to the German workers, when they realize that it was possible, through an irresponsible word or deed, to sacrifice them in mass on the altar of a gesture, and that the leaders refused and sacrificed themselves instead, then the German workers will honor their former leaders, and the world will join in the tribute.

The Future

What the future will bring to Germany no one really knows. Prognostications, especially on German affairs, are extremely dangerous. The Nazis have turned loose forces that they themselves do not understand. It may surprise many to learn that the most exciting things that have happened in Germany have come as an upsurge from below, and not from the government itself. The masses

want work, and the most insistent ones are the very groups that Hitler and his adventurers have been most assiduous in organizing. It is not without reason that, at the numerous meetings the Nazi leaders are holding with the S. A. and S. S. troops, they must plead for more and more discipline. The anti-Jewish boycott (not yet ended though deprived of official sanction) was started by the S. A. troops in Munich, and it gained such momentum within a few hours that not one among the Nazi leaders dared to make an effort to head it off. There is ground for believing that the same forces operating from below forced the move against the trade unions on May 2. The general belief is that Seldte and Hitler would have liked more time, but the military leaders of the Nazi party, finding their troops getting more and more restless as the days passed, took this step to appease them.

If this is true, how much more additional pressure will come from below? And in what direction will the pressure from below drive the Hitlerian government? Will Hitler, for instance, use it to drive out of the cabinet the remaining members of the Hugenberg crowd, whose tariff actions have already sent the cost of

food to higher levels, a condition which has already resulted in sporadic rioting in the cities of the Ruhr? Or, finding that the unions, "the new corner stone of the Nazi state", are not contented with phrases about the indivisibility of capital and labor, and demand that wages, hours, social legislation, etc., be protected within the framework of the Weimar constitution, will he restrain the large industrialists of Germany who think that now is their grand opportunity? Or, will he go still further to the right, even against his own Nazi followers in the military branch of his party who carried out the investment of the trade unions on May 2?

All these questions will be answered, and in my opinion within a shorter period of time than the world believes. Germany is moving rapidly, much more rapidly than the intellects of Herr Hitler and his crowd of adventurers. The question in my mind, and in the mind of most of the former German trade union leaders now is—what will come after Hitler? A monarchy? A military dictatorship directed by some yet unknown head of the Reichswehr? Or a repetition of the years of terror that existed in France during her upheaval? The last is not unlikely.

EX TENEBRAE!

With faith he went to meet the sun
 He heralded with song of hope,
 Nor deemed himself by fate undone
 That bade him in despair to grope.

Some mourn at shattered Fortune's bier,
 In darkened room bewail their dead—
 But others hail in vision clear,
 The promise of the day ahead!

OSCAR H. FERNBACH.

BANKING HISTORY OF THE UNITED STATES

JOSEPH O'LEARY

Department of Economics, Catholic University of America

THE declaration of a national banking holiday on March 6, 1933, by President Roosevelt and the enactment of the Glass-Steagall bank reform measure on June 16, 1933, recall to mind that banking in the United States has had a checkered career and that our system has been worked out by trial and error. Such actions by the President and Congress were indicative of serious imperfections in our banking structure, a brief survey of the past history of which will prove helpful in securing a proper perspective.

From 1791, banking development in this country may be conveniently divided into four periods; the first, 1791 to 1836, treats of the efforts to set up a Federally chartered bank although there were state banks in existence; the second, 1836 to 1863, is a period of state banking; the third, 1863 to 1913, includes the creation and development of the national banking system; and the last, 1913 up to this time, concerns the unification of national banks through the medium of the Federal Reserve system and the efforts to do likewise for the state banks.

In 1791 Congress chartered for a twenty year period the First Bank of the United States which acted as the fiscal agent for the Federal Government, carried on a regular banking business with the public, and issued notes that ultimately gained wide-

spread circulation. The policy of the Bank in respect to state bank notes aided in the maintenance of a sound currency. In spite of the Bank's success, Congress failed to renew its charter in 1811, in part because of the opposition of state banks which at the time numbered 88, and its affairs were liquidated.

Following the dissolution of the First Bank, there was about a three fold increase in the number of state banks, whose note issuance increased greatly. Many of the notes were worthless or circulated at a discount and the government lost large sums by receiving them as revenue. In 1814, to some extent because of war-time conditions, nearly all of the state banks, except in New England, suspended specie payment and the government defaulted on its debt interest because much of its money was in the suspended institutions. Indeed the financial conditions of the country were so chaotic that the national government in 1816 chartered for twenty years the Second Bank of the United States, whose functions were similar to those of the First Bank. The charter of the Second Bank also failed of renewal in 1836, largely because of the opposition of President Jackson who thought that it was meddling in politics and working against him.

Towards the close of the life of the Second Bank large amounts of government money were deposited

with favored state institutions, which on that account were called pet banks. Many of these suspended specie payments in 1837 with consequent losses to the government. Hence in 1840, and again in 1846, the Federal government established the independent treasury system under which government collections and expenditures were made in specie and the public money was kept in the Treasury and later in sub-treasuries. Important modifications were made in this arrangement in 1863 and later in 1913, but it was not until 1921 that the sub-treasuries were finally abolished and almost all of their functions were assigned to the Federal Reserve banks.

The period, 1836 to 1863, in our banking history has often been referred to as the era of state banking because the various states had the field entirely to themselves. Since the banks were organized under different state laws, banking standards were not uniform and in some cases were extremely lax. The main function of these banks was to circulate notes which made up a large part of the nation's currency, but because of lack of limitations some of them circulated at par, others were worthless, and still others were passed at varying proportions of their face value. Counterfeiting was made easier because of the heterogeneity of bank note design resulting from the differences of state laws. Conditions were such that it was necessary to publish "bank note reporters" and "counterfeit detectors" for protective purposes. During this period, nevertheless, there were a number of meritorious features: first, the note redemption plan of the Suffolk Bank of Boston which

forced New England banks to redeem their circulating notes at par and thus checked their undue expansion; second, the safety fund law of New York in 1829, later amended but ultimately given up, under which the banks of the state were compelled to contribute in proportion to their capital stock to a bank fund that was used to pay the creditors, depositors, and noteholders of safety fund banks that failed; and lastly, the 1838 free banking act, also of New York, which provided that individuals who were organized properly according to law could secure a bank charter from the duly constituted authority. Previous to this time bank charters were conferred by special legislative act. This measure also authorized banks to issue circulating notes by depositing certain types of securities for the protection of noteholders. These two features of the free banking act are of importance because both were later incorporated in the national banking law.

Banking affairs in the country about the time of the Civil War were so confused that some sort of reform measure was necessary, and so on February 25, 1863, the National Bank Act became law. An important reason for its enactment was to secure a market for government bonds which at that time were difficult to sell. Under this Act any group of five or more persons could organize a national bank upon compliance with the law's provisions. A minimum capital was prescribed of which a certain percentage had to be invested in United States bonds, upon the security of which a bank could issue circulating notes. For the first few years of its existence the national banking system

developed slowly because many of the state banks did not enter the scheme, but in 1865 there was approved a Federal law that imposed a prohibitive 10 per cent tax on the note circulation of state institutions and had the effect of drawing many of them into the national system. At present the minimum capital requirements for national banks vary from \$50,000 up to \$200,000, the amount depending on the size of the town in which the bank is located. These banks must maintain stated reserves against deposits and restrictions are imposed on the amount and type of loans they may make.

Even though the national banking system was an advance over preceding banking conditions, it was subject to defects which were not remedied until after 1913, namely, inelasticity of circulating notes and deposits, lack of an efficient system for the exchange and transfer of funds, absence of centralized control, and unsatisfactory relations between the banks and the United States Treasury.

The necessity of banking changes was forcibly brought to the country's attention by the collapse of the commercial banking system in the Panic of 1907 and in the succeeding year there was enacted the Aldrich-Vreeland Act that permitted bank note issuance in emergencies. Out of this Act also came proposed legislation known as the Aldrich Bill. Meanwhile the Democrats secured control of the government and subsequently there was approved on December 23, 1913, the Federal Reserve Act, the preamble of which declared that it was "an Act to provide for the establishment of Federal Reserve banks,

to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes."

Under the terms of the law, the country is divided into twelve districts, in each of which there is a Federal Reserve bank whose capital is supplied by the member banks of the district. Membership in the Reserve system is compulsory for national banks and voluntary for state banks and trust companies. Two obligations of such membership are: specified subscription to the stock of the district Reserve bank, and maintenance of a minimum reserve in proportion to deposit liabilities. Each of the twelve Reserve institutions has a board of nine directors, divided into three classes to represent the member banks, the business community, and the public.

The centralizing agency of the entire system is the Federal Reserve Board in Washington which supplies the element of coordination that must be present if the twelve Reserve banks are to work in harmony. The Board is composed of eight members, two of whom, the Secretary of Treasury and the Comptroller of Currency, are ex officio members; the other six are appointed for a term of twelve years by the President of the United States, who designates two of them as Governor and Vice Governor, respectively. The powers of the Board are very broad and may be classified under the headings of coordination and supervision. There is also a Federal Advisory Council, made up of twelve members, one from each district,

whose function is to advise the Reserve Board.

The twelve Federal Reserve banks are bankers' banks, that is, they deal almost entirely with the member banks, doing but a small amount of business with the public. The principal functions of these Reserve institutions are to hold the legal reserves and to extend credit to member banks; to issue Federal Reserve notes; to act as a collection and clearing agency and as the fiscal agent of the government; and to engage in open market operations.

Each member bank is required to keep on deposit with its Reserve bank the amount of its legal reserve and on such deposits no interest is paid by the Reserve institution which must keep a minimum reserve of 35 per cent in gold or lawful money against these deposits. The plan allows to a high degree the expansion of bank credit. Besides, the concentration of reserves under this method has not only made it permissible for member banks to maintain smaller reserves than under the old national banking act but also tends to make available to solvent member banks adequate funds in emergency.

One of the ways in which a Reserve bank extends credit to member banks is by rediscounting for the latter notes, drafts, or bills of exchange arising from commercial and agricultural transactions. By means of rediscounting, a member bank is expected to meet the needs of its community either for loans or a circulating medium. Under certain circumstances if member banks do not possess suitable assets to obtain credit by rediscount-

ing at a Federal Reserve bank, they may borrow there on their time or demand notes secured to the satisfaction of such Reserve institution.

Federal Reserve banks issue two kinds of notes, Federal Reserve bank notes and Federal Reserve notes. Previous to the Emergency Banking Act of March 9, 1933, the Federal Reserve bank notes constituted a small part of the country's common money and were similar for practical purposes to the old national bank notes, but the Emergency Act increased their importance by allowing any Reserve bank to receive from the Comptroller of Currency Federal Reserve bank notes backed by direct obligations of the United States or commercial paper. Because our currency system before 1913 was defective insofar as it lacked elasticity, that is, it did not expand and contract in volume to meet the needs of business, the Federal Reserve notes were designed to eliminate this defect by having their security consist in part of commercial paper which fluctuates with the condition of business. Each Reserve bank must maintain a gold reserve of not less than 40 per cent against its outstanding Federal Reserve notes. These notes have lost their elasticity to some extent because of the 1917 wartime amendment which allowed their issuance upon the security of gold and the 1932 Glass-Steagall Act (extended until March 3, 1934) which permits the use of United States government securities as collateral.

In addition to the use of the district Reserve banks by local clearing houses for the settlement of check balances, the Reserve system supplies a more satisfactory method for the clearing

and collection of checks drawn on banks in different localities than prevailed under the old national banking scheme. Intra-district operations in this regard are simplified because all of the clearing banks in a given district have accounts with their Reserve bank. Inter-district clearing and collection of checks are more complicated but the use of the Gold Settlement Fund facilitates matters. Some of the advantages of the Reserve clearing and collection system are: the lessening not only of the unwise practice of carrying the "float" (supply of checks in transit) as part of a bank's legal reserve but also of delay, expenses, and heavy currency shipments.

The relations of the Federal Treasury to the banks of the country have been improved upon through the introduction of the Federal Reserve system. In their capacity as fiscal agents the Reserve banks not only keep and pay out government funds but also perform other functions among which are the redemption and exchange of various kinds of money, the cancellation and shipment to Washington of money unfit for circulation, the placement of government loans and the handling of the proceeds, the cashing of government bond coupons, and the redemption and transfer of ownership of government securities.

Many believe that the Reserve banks should remain essentially bankers' banks and should not be permitted to engage in open market operations, which is a term "used to signify all those transactions in which the Reserve banks employ their funds besides their loans to member banks." This power, however, was given to them for two important reasons; first,

to supplement their earnings when their rediscounting facilities are not being completely employed, and, second, to make their discount rate effective. If changes in this rate do not bring about the desired contraction or expansion of bank credit, then the Reserve institutions may enter into open market dealings and either buy or sell bank acceptances or government bonds.

Even after the passage of the Federal Reserve Act there still remained the problem of supplying credit for agriculture since the Reserve banks were created primarily to supply short-term credit to commerce and industry. For the purpose of aiding the farmer to obtain long-term investment credit at reasonable interest rates, the Federal Farm Loan Act was enacted on July 17, 1916. It provided for the creation of twelve Federal land banks located in different parts of the country, and privately owned and operated joint stock land banks. This Act was followed on March 3, 1923, by the Agricultural Credits Act, which resulted in the establishment of Federal intermediate credit banks and national agricultural credit corporations to furnish the farmers with intermediate credit of from six months to three years. By an Executive Order, March 27, 1933, President Roosevelt merged the various Federal agricultural credit agencies into a new Farm Credit Administration in order to handle more efficiently the credit needs of the farmer. On June 16, 1933, there was approved the Farm Credit Act designed in part "to provide for organizations within the Farm Credit Administration to make loans for the production and market-

ing of agricultural products." The Act authorizes and directs the Governor of the Farm Credit Administration to organize and charter twelve corporations to be known as Production Credit Corporations and twelve banks to be known as Banks for Cooperatives. These institutions are to be established in the cities where the Federal land banks are located. Irrespective of the criticisms of the agricultural credit machinery that has been set up in this country, much good has resulted from the viewpoint of equalization of interest rates and the availability of facilities.

The foregoing survey deals mainly with commercial banking. There is not room in this paper to treat of such other financial institutions as investment banks, trust companies, savings banks, postal savings banks, and building and loan associations. A word might be added concerning other important Federal banking legislation worked out during the depression of 1929-1933. On January 22, 1932, President Hoover approved an Act which provided for the formation of the Reconstruction Finance Corporation to aid, among others, banks with frozen assets by making loans to them. This institution took over the function in this regard of the private National Credit Corporation formed in October 1931. The Glass-Steagall Act, which became law on February 27, 1932, and which was designed to cope with hoarding and fear of foreign gold withdrawals, permitted member banks to borrow from their Federal Reserve banks upon security that previously was not eligible for rediscount. The Act also allowed the issuance of Federal Re-

serve notes secured by United States government obligations. Another measure, the Federal Home Loan Bank Law, was enacted on July 22, 1932, in order to supply a method of financing home building and home loans. This Law has been supplemented by the Home Owners' Loan Act of June 13, 1933, devised to give emergency relief for urban home mortgage indebtedness, to refinance home mortgages, and to provide Federal savings and loan associations.

The Emergency Banking Law, approved by President Roosevelt on March 9, 1933, includes sections dealing with increased banking powers of the President, conservation of bank assets, reorganization of national banks, issuance of preferred stock by such institutions, issuance of new currency, advances to member banks under specified conditions (later extended to non-member banks), and direct loans by the Reserve banks to individuals, partnerships, or corporations with government obligations as security.

The "inflation" amendment to the Agricultural Relief Act of May 12, 1933, contains a number of provisions affecting the Federal Reserve System. The amendment authorizes the President under certain circumstances to bring about credit and currency inflation, to reduce the gold content of the dollar by as much as 50 per cent, to institute the free coinage of silver at a definite ratio to gold, and to accept silver in settlement of the debts of foreign governments. The Agricultural Relief Act also provides for mortgage relief for farmers by the Farm Credit Administration, operating through the Federal land banks.

Investment banking is subjected to closer supervision as the result of the Securities Law of May 27, 1933, which aims to protect buyers through full publicity and information on security issuances.

On June 16, there was enacted the Banking Act of 1933, popularly known as the Glass-Steagall Act. It is considered to be one of the most important pieces of domestic banking legislation since the enactment of the Federal Reserve Act in 1913. The new Law provides for the separation of banking operations from securities dealings, the control of bank funds in speculation, the insurance or guaranty of bank deposits under the administration of a Federal Deposit Insurance Corporation, the divorcement of security affiliates from member banks, the establishment of branches by national banks upon the same basis as

state banks in the respective states, increased capital requirements for national banks, the exemption of national bank stockholders from double liability on shares issued in the future, and the strengthening of Federal Reserve supervision.

In conclusion we may say that within late years there has been a trend towards fewer and larger banking institutions; there has been a great number of bank suspensions, which from 1921 to the close of 1932 amounted to 10,741 (out of the total of 30,104 in existence in 1921), with aggregate deposits of \$4,993,524,000; and finally, there has been increased growth in branch, chain, and department store banking or the large variety of financial services rendered within one building and under the same control.

CLOISTER

"Show me your cloister," asks the Lady Poverty.

Well, that were a cloister; for its bars
Long strips of sunset; and its roof the stars.

Four walls of sky, with corridors of air
Leading to chapel, and God everywhere.

Earth beauteous and bare to lie upon,
Lit by the little candle of the sun.

The wind gone daily sweeping like a broom—
For these vast hearts it was a narrow room.

CHARLES L. O'DONNELL, C.S.C.

THE TECHNOCRAT*

ALVIN EDWARD MOORE

The Industrial Front.

Mr. Knight pointed out of the auto-gyro window. "Sandy Mesa," he said to Bob. "There's work in them thar sand wastes."

They were flying low over a narrow, sandy road where motor cars crawled along in dust a foot thick.

At length they could see the slim, silver-like outlines of the oil derricks, towering into the morning sky, tall monuments to Mammon. They descended still lower.

On each side of the road were tumble-down farmhouses, most of them showing signs of recent repair, since their owners had suddenly found themselves rich from the shiny new derricks that mushroomed up in their cotton fields overnight.

The fields of corn and cotton extended down to the very edge of the booming new town of tents and shacks. There was only one street, paved with dust, and lined with oil derricks instead of the usual telephone poles. A gully branched off it to their left, and as far as they could see down it, there were tents, lean-tos, and mattresses lying on the ground. Most of the business houses were shacks and tents; hundreds of roughly dressed men lounged in front.

They landed in an open space near the Valentino Hotel, which until a few weeks before had been a farmer's barn. The loungers stared at the strange craft.

One grizzled veteran with a wide hat perched on the back of his head

spat out his chew of Brown Mule in astonishment. "Wal, I'll be dog-goned, Sank" he drawled, "the unemployed is takin' wings."

"Right you are," said Mr. Knight. "Any work hereabouts?"

The man slowly cocked his hat at a different angle and studied the two from sun-narrowed, twinkling eyes. "Shore. There's work. Plenty of it—but nobody can get a job. What are you looking for, Mister? Office work of some kind, I bet ye."

"Wrong. We're looking for anything we can find, and we prefer hard labor."

Mr. Knight was not prevaricating. He wanted to harden himself, to sweat, to know again the thrill of muscular effort, to feel once more a pleasant physical tiredness at nightfall.

"Wal. They's a gas plant going up down the road about two miles. They're gonna need men."

Mr. Knight inquired the way and received minute directions.

Then, to the astonishment of the male crowd, he started the engine and rose up from their midst.

They dropped near a clump of trees near where they judged the gasoline plant should be and made camp. It was still very early in the morning. Bob stayed by the plane while Mr. Knight donned his overalls, took off his glasses and trudged through some two miles of dust to the location of the plant.

Several gangs of men were work-

* Continued from July, 1933, AMERICAN FEDERATIONIST.

ing on the foundations, rushing about like ants under the direction of red-faced foremen.

Cars were parked in the dust as though at a country camp meeting. Hundreds of men sat in the dirt or on the fenders, waiting, waiting. They were just a small portion of the thousands of unemployed who had rushed to Sandy Mesa as soon as news of the new field had spread.

Mr. Knight felt out of place as he joined the crowd. He stood by the side of an old Ford coupe with an Arizona license. The driver, a dark-featured young man, smiled and spoke. His companion was a fat, easy-going young fellow.

"Where you, from?" the driver asked.

"Louisiana," Mr. Knight answered. "But I came from the District of Columbia a few months ago."

"Any work out in the East?"

"None. I don't believe there's a job between here and Washington."

"I know there ain't none between here and Arizona. We just drove it."

"We're from Wichita, Kansas, originally," said the fat man. "There isn't anything in Kansas, even with the wheat harvest goin' on. And we have been camped here a week now. No luck." He cast out his hands hopelessly.

"I'm about ready to move on," said the driver. "If only we knew where to go. But we don't."

"Yes, one place seems as good as another now," Mr. Knight said. "We are at last paying for the capitalists' war, I suppose."

A large, heavy-set old man had come while they were talking and stood listening. His face was florid

and seamed, his paunch tremendous.

"I'll tell you what's the matter with this country," he said in a rasping voice. "The whole danged country is livin' too much by the Old Bible and not enough by the New. That Old Bible's done fulfilled. It's just like hanging up last year's calendar for this year! Shore! You won't know what day it is, nor when the moon's gonna rise if you go by last year's calendar. You know that. We ain't half savage, like the men of Moses was. It's the New Testament for us."

"I believe you are right, as far as you go," said Mr. Knight. I personally think that neither of the sections of the Bible is sufficient for the religious philosophy of our day. The old Bible has the rules of half-savage life; the New Testament has rules that can be followed entirely only by beggar priests, "holy men," such as India now has—or else by a possible race of men who may come after us."

"That's what I think," said the old fellow. "Parts of the Bible is good for me. And parts ain't no good to anybody but them that's already dead and gone."

"The Bible is the history and the literature of the Jewish race," said Mr. Knight. "It has a lot of truth in it and a lot of human error. It is absurd to think it infallible, for it was made by human hands."

The old man stared at him, obviously not understanding his words.

A six-cylinder car now roared in from the roadway in a cloud of dust. The crowd rushed toward it. The boss had come!

He was a large, florid man, wearing a wide straw hat. He strode

through the mob of men, as indifferent as a king's sheriff to their pleading looks.

A cocky young lad with a thick neck hailed him.

"Hey, Mister, you promised me a job today."

The boss turned upon him, frowningly. "I did not," he said. "I never saw you before."

Turning on his heel, he started on, and then, as though on second thought, he whirled upon the boy. "How old are you?"

"Eighteen," the lad answered.

"Well, I didn't promise you any job, and I'll tell you right now you won't get a job here. There are too many men with families to support, here begging for work. Besides, I don't want any liars working for me. Now there isn't any use in your hanging around here any more. Might as well pack up and go!"

With that, he turned on his heel and strode away.

The crowd waited another hour or so in the dust, and then gradually dispersed. Not a man had been hired.

Before Mr. Knight left, he walked over the location and studied the assistant foreman, or "straw-boss," as he dashed here and there, shouting orders. He was a tall, slim man, wearing glasses, known as Pea-vine to the men.

Mr. Knight accosted him. "Is there any chance at all of getting work here?"

"Not today," he answered. "Hey, Bill! Move that post over about two feet the other way."

"Will there be any chance tomorrow?"

"I don't know. I doubt it. Come back Monday."

It was apparent that he used the "Come back Monday" clause just to get rid of people for the moment.

Bob looked up silently from his boiling pot of beans when Mr. Knight returned.

"No luck," said the scientist, once more donning his glasses, emblem of his professorial career. There are a thousand men to every job. But at least there are a few jobs here, which is more than we can say for Louisiana.

They ate their frugal breakfast, then spent the remainder of the day going from oil derrick to oil derrick, from work gang to work gang. Most of the bosses would not even listen to their requests.

In the afternoon, however, they found one who was kind, an Irishman by the name of McSweeney. He was smoking his pipe, sitting by the side of a tin tool shack, and calmly watching his men sweating as they rhythmically swung their spades full of earth. This was a pipe-line gang. There was an earthy smell about the place and an earthy, pleasant aura about the calm boss.

"Boys," he said, looking at them benevolently, "does you like pipe-gang work?"

Mr. Knight, the famous scientist minus his glasses, assured him that there was no ambition in life they cherished so much as to get in a pipe-line gang. The work, he assured Mr. McSweeney, appealed to them—much more than that of the other gangs.

Mr. McSweeney warmed to his visitors. He removed his pipe from his mouth. "That's fine, boys," he

announced. "I find that you either likes pipe-gang work, or you don't. Some people don't like to dig in the ground—and other people, they do. It's just all in the man. Now me—I love it. I never was satisfied until I got in one of the gangs of the old Rocky Oil Company nigh onto fifteen years ago. And I ain't done nothin' else since."

Bob asked him what chance there was of getting a job.

"I ain't got no vacancy now, boys. You see these jobs come up all of a sudden like. A man quits, or else he don't come out in the morning. Now I put two boys on yesterday mornin'. If I had known you all was comin' I might a-held it."

"Give me your name, will you?" asked Mr. Knight, taking out pencil and paper. "We'll look you up every morning until you have a job."

"Tim McSweeney's the name. But I tell ye, boys, it's hard to find my gang. You see we shift most every day or two."

"Well, we'll try to find you. Because we'd like to work for you."

Thus the famous scientist found one kind minion of capitalism in the person of a ditch-digger, one cheerful and human boss in all the hundreds of depression foremen. He and Bob returned to their desperate work of seeking work with renewed courage.

* * *

Fearing plunderers in the mob, they flew out of town and camped in an abandoned farmhouse for the night. It had a caved-in porch and torn-up floors. The left-rear room was nailed up from the inside.

They had eaten their supper of beans when a farmer on his way to the oil fields ran out of gas in front of the house. It was about sundown. Casting nervous glances toward the house, he hopped out of the Ford and frantically examined the gas tank. He was tall, skinny, tobacco-toothed.

He almost leaped out of his scrawny skin when Mr. Knight came around the corner of the house to inquire into the nature of his trouble.

"Why, what is the matter?" asked Mr. Knight. "You are pale as a ghost."

The farmer's teeth chattered. "My gosh!" he exclaimed at last. "Where'd you come from?"

"I landed in an airplane to camp here all night. It is all right, I guess, isn't it?"

With difficulty the traveler controlled his voice. "My gosh! I thought ye was a ha'nt. You don't mean to say you don't know this here place is ha'nted?"

"Ha'nts, hell!" said Mr. Knight, half exasperated at the continual recurrence of such superstitions. "There is no such thing as a ha'nt. I will wager you can't even tell me what a ha'nt is?"

The farmer admitted that he could not.

"Well, I can. A ha'nt is a non-existent product of the fear of the Dark Ages."

"Is that so?"

"Yes, ignorance breeds ha'nts. If a man's spirit lives after he is dead, don't you think God would have better use for it than to have it pestering people on this little planet? Don't you know the graveyards couldn't hold the ghosts if there was

even one for every million people who have lived on this earth? It is time this nonsense of disembodied spirits frightening people came to an end."

"But, Mister, ever'body's ever lived in this house died."

"What of it. Doesn't everybody that lives elsewhere die?"

"I guess so—but—" he looked around nervously. "But you ain't got no gasoline you mout loan me, have ye now?"

"Yes. I do. I can let you have a gallon or so."

Mr. Knight gave him two gallons from the mill's tank, and with one last word of warning he started his car and clattered away.

"What do you think about that, Bob?" asked the scientist.

"Hell, I don't know. I ain't got no time to study ghosts."

"Listen, Isaiah," Bob continued after a moment's silence. "What'd you give that man that gasoline for? Why didn't you take his money?"

"Oh, I believe in helping a man who has trouble on the road."

"Damned if I do. That gas costs money, boy, and we're gettin' broke."

"Don't worry. My reserve pay is due from the government soon."

"Yeah, soon! When? Won't do you any good if you starve to death before it gets here."

Night came and they turned in on the floor. The moon rose and shone in through the broken windows. All was still as death. The two men slept.

Hours later both were awakened.

"Did you hear a noise, Merle?" whispered Bob.

"Thought I did. Listen."

They strained their ears.

"Guess there wasn't anything. Must have been a rat. Or else our imagination." But their nerves were tense. Mr. Knight cursed his instinct for giving him foolish fears. He tried to compose himself again for sleep. Just as he was drifting off there came a heavy thud.

"Wh— what was that?" stammered Bob.

"Keep quiet," whispered Mr. Knight. "There's somebody in the house."

"Do— do you reck'n it's a— a—" whispered Bob.

"Of course not. Who ever heard of a ghost making a noise like that." But Mr. Knight's voice almost trembled. He unsheathed the death-ray gun and patted it. "This gun is good for anything—even ghosts."

They rose and tiptoed over the house, searching all the rooms except the one that was nailed up. They returned to their beds and discussed the situation in excited whispers.

"There's some'n' in that nailed-up room," concluded Bob. "I say let's get away from here quick."

"Nonsense. Let's go in that room. We are armed. You have your pistol and I have my ray-gun."

"Wh— what's eatin' on you? Me go in that room! Not on your life!"

"Well it's a cinch if someone is in that room, we couldn't get away in the mill without being discovered. Because the mill is right near the room. I think the only reasonable thing to do is go back to sleep."

"Reasonable, hell!" said Bob in an excited whisper. "You think I'm gonna go to sleep with that thing in there?"

"I'll wager it's all a product of our imagination anyway. Listen."

They could hear nothing. Then from a corner of their room came a scurrying noise.

Mr. Knight started, then calmed himself. "A rat!" he said in a low tone. "It's all imagination."

"If a rat made that first noise, I'm a billy goat."

"And if it were a ghost, I'll be one," whispered Mr. Knight. "Anyway it won't do us any good to talk. Let's go to sleep."

Easier said than done. But at last they were off to the instinctive world of dreams.

Toward morning Bob woke. His hair stood on end. He sat bolt upright. His eyes popped out as he saw a dim, moonlit form standing before him. His frantic gaze swept over Mr. Knight's place. The scientist was gone!

The form advanced toward him.

"Wh— what you want?" Bob pleaded.

"Who are you?" said the form.

"B— B— Bob Knight!"

"Don't you know this place is ha'nted?"

"No— no, sir. I didn't know it."

"Wal, it's time you was a-learnin' it." The ghost produced a revolver. "Git up and git out of here. I'll larn you to be a-snoopin' around. Whur's that pardner of yore's?"

"Drop that gun!" snapped a voice from the doorway. It was Mr. Knight, who had moved to the hard floor near the door during the night. "I have you covered," he said.

The man hesitated. "You shoot," he threatened, "and I'll kill yore pardner shore as hell."

"Man!" warned Mr. Knight, deadly earnest. "You don't know what danger you are in. I have the most deadly weapon in the world on you, and the switch is turned! Drop the gun or you're a dead man!"

As he finished speaking, one of the first particles of the exploding atoms struck the man. Howling in fear, he threw his revolver down and fell to the floor.

Mr. Knight ran forward. "Are you dead?" he asked anxiously. "Speak!"

"Naw!" said the man, sullenly. "What in th' dickens was that burned me?"

"The Knight death-ray," said Mr. Knight, not without some pride. "Get up now and explain yourself."

Bob had picked up the intruder's gun and now held him covered while Mr. Knight searched him for more weapons. Then they bound him with some cord from the mill and demanded an explanation of his strange conduct.

The man was heavy-set, with a face that was more stupid than evil.

"Wal," he began, "hit's a long story—an' I ain't much a hand at tellin' thangs. I'm from Arkansas, folks, and I ain't never seed sich hard times in my days. If ye only onderstand that my wife and chillens is hongry, maybe ye'll not be a-puttin' me in no jail. I ain't never seed the inside of a jail in my life. 'Deed, I ain't. I'll swear that's a fact.

"Th' drought starved me outen Arkansas. I moved down in Texas and I planted me some cotton. Folks, you know whut cotton brought this year. I jes' couldn't make a livin' nohow, hit seemed lak. Maw raised

a few chickens and they lak to starved slap to death. I don't know whut in th' world got into them chickens. Talkin' of this here depression, they was in one right. They wasn't takin' no chances. You couldn't a-run one of 'em down with a race hoss—an' ye know I didn't have no hoss a-tall, after that there cotton crop. So we never had no chicken for dinner a-tall."

"Well, cut it short. What were you doin' here?" asked Bob, impatiently.

"I was a-comin' to thet now, if ye'll jest gimme time," the man complained. "Ye see, I'm a bootlegger, and I'm tellin' ye why. I always was a law-abidin' citizen. When prohibition come, I sold my still in Arkansas. I says to my folks, 'I'm doggoned tired of fightin' revenooers—and they's gonna be ten for one from now on—and anyhow hit's a good thang. I'm off'n lickin'.' But I found out thet I was jes' so used to a little toddy ever' now and then thet I jest natchally couldn't git along without hit. So I made jest enough fer myse'f—thet's all. Thet was before I sold my still away, ye see."

"I see," said Mr. Knight. "Pre-war stuff."

"Yeh. An' down in Texas hit run out on me. About th' same time I begun to hunt squirrels fer a livin'. Hit wasn't in season but ever'body else was doin' th' same. A man cain't starve, now, can he?"

"Hell, no," said Bob. "I ain't gonna starve, myself."

"Me neither. I kept us alive—till finally the squirrels begun to peter out. Then I was in a terrible fix, when one day I met a bootlegger set-

tin' under the very tree where I knowed they was a squirrel. He 'lowed th' bootleggin' business had been knocked by the depression so thet his chilluns was hongry. 'Lowed he was gonna follow th' oil fields. So him and me, we goes partners. He sells. I make. Now I ask ye, even a revenooer lak you all oughta see a man's got to live and feed his babies."

"Hell, yes," said Bob. "I say, turn him loose, Isaiah."

"I don't believe you should go free," said Mr. Knight. "If you harmed only yourself with your poison it would be different."

"My lickin' is good!" said the man in quick anger. "And I'll whup anybody thet says it ain't good!"

"No liquor is good. It is all poison. It has cursed the human race long enough. It is time we rid ourselves of it, just as we are doing now."

"But, Mister, if the people don't want it, they don't have to buy it, do they? Most of our customers buys ag'in an' ag'in. They likes what I make. Ye see, I learned how up in Arkansas from my old pappy. He was proud of his reputation, and I am too. An' my chilluns is hongry, I tell ye. I tried raisin' cotton, 'deed I did. But, my gosh, them boll weevils was terrible. Every day I see a great big cloud of dust down in the field, and when I gits near, it ain't nothin' but all them big boll weevils a-whuppin' them little boll weevils, to raise 'em right. Wal, after the boll weevil got theirs an' th' landlord got his, an' the tax collector got his, they wasn't much left—an' them Wall Street gamblers got thet. I jest natchally had to go to bootleggin'. Now ain't ye gonna let me loose?"

"If we turn you loose, will you quit this breaking the law?"

The farmer thought a moment. "Shore," he said. "Jest turn me a-loose and I'll quit. 'Deed, I will."

"Will you destroy your still in that nailed-up room?"

"Wal, now, ain't ye bein' a little hard on me? Thet still cost me money. Jest lemme sell it. I know a man thet needs a doggoned good still like thet."

"So he can make liquor with it and break our laws, eh? No. Destroy the still and we'll let you go free. Otherwise to jail you go."

The bootlegger argued and pleaded, but to no avail. In the end, he led the way into the rear room by a locked back entrance and smashed his beloved still, piece by piece, begging for each piece before he crushed it. Mr. Knight hated to see any of the products of man's energy destroyed, but he was adamant.

At last, just as dawn was breaking, the poor man was through. Then Mr. Knight stood guard over him while Bob packed the mill. Soon they took off.

As they rose in the early morning they could see the man shaking his fist up at them.

"He's cursin' you out because you made him destroy his still and now he'll have to rebuild it," said Bob.

"I guess he will rebuild it at that, won't he?"

"Sure, he'll rebuild it. You don't expect him to starve, do you? And it's safer to bootleg than break into houses."

"Prohibition! What a muddle it is. But one thing is sure. This country can not much longer remain half dry and half wet and still have respect for any law."

(To be continued)

TALL NETTLES

Tall nettles cover up, as they have done
 These many springs, the rusty harrow, the plough
 Long worn out, and the roller made of stone:
 Only the elm butt tops the nettles now.

This corner of the farmyard I like most:
 As well as any bloom upon a flower
 I like the dust on the nettles, never lost
 Except to prove the sweetness of a shower.

EDWARD THOMAS

WISE SPENDING AND FOOLISH SAVING

The Necessity for Public Works

H. F. R. SHAW

ONE of the most remarkable things about the present depression is the surprise it has occasioned. People have looked upon it as if it were an experience of a kind quite new to the modern industrial world. That it should have taken people by surprise in view of their behavior in past years and now, in view of the nationalistic policies they have insisted upon, the restrictions they have had their governments set upon trade, the campaigns for economy, public and private, and the like, is even more remarkable. And one of the most unfortunate things about the depression is that although it has led people to talk and perhaps think more about economic matters, they have got hold of and fastened upon what they believe are certain basic economic ideas which are to be applied at all times whether these times are either good or bad. It is the more unfortunate since people in places of power have insisted that if certain economic ideas are sound, they are sound in application regardless of the state of trade. This is the unfortunate atmosphere we find ourselves in at the present time.

It seems, for example, to the average man, a matter of common sense that more should be spent in good times when everyone is well off and income is good, and that less should be spent, there should be economy, when people are badly off. What seems to him sound policy in the individual case seems equally sound in the

case of the government. Now no sensible person countenances waste in government in good times, let alone when times are bad. Sound people do not countenance waste, hiring two men to do the work of one. But these same people approve the greatest waste of all—the “hiring” of millions of men to do no work at all. They insist upon paying millions to remain idle because, it is said, we are too poor to put them to work. Society is too poor to provide work for the millions unemployed and by so doing enjoy all the wealth these millions could provide. But that same society is not too poor to maintain them in idleness, whether by unemployment insurance or doles as in Europe, or by Federal, state, or municipal doles and private charity in the United States. Society is not too poor to subsidize unemployment. Reduced to its fundamental terms this is precisely what is happening in this country. And this country, rich as it is, is much too poor for those who still have employment to be called upon to support in complete idleness perhaps one-third of those normally gainfully employed.

What is the waste at the present time? There is the waste of idle men. For four years there has been the waste of millions of idle man-power reaching now the staggering total of upwards of fourteen million, waste unprecedented in our time. There is the waste of idle capital, machinery lying idle costing billions of dollars to produce. There is the loss to these

unemployed men in wages and in morale. Loss of revenue to the employers, taxes to the Treasury, depreciated capital and depleted savings. All to no purpose whatever. All these idle men and this idle wealth could have produced millions of houses, thousands of miles of roads, millions of tons of food, clothing and the amenities of life that people so sorely need.

The sovereign remedy offered on all sides to the individual and the government as well, is "economize, save." This is the counsel offered by "sound" people at all times. In good times, in bad times, "save." In wartime it becomes a patriotic duty to save. Of course, for the individual some saving is clearly necessary. But the case of the government is quite different.

What, then, is the real purpose of saving? The purpose of saving, of refraining from consuming all that is produced, is to make available surplus wealth for carrying on productive activities. Without saving we should have had no railroads, factories and like equipment. In other words, savings are to be put to use. In times of war, for example, goods are scarce; everything is needed to carry on the war. Men are to be released from industry for wartime purposes, and, if people continued to demand their normal volume of peace-time consumption there would be little available adequately to carry on the war. Productive capacity is scarce and people must sacrifice, save so that goods and services may be put to other than normal uses. But what is good counsel in times of war happens to be very bad counsel in times like these. Savings are not at the present time put to other uses. They simply are not used. In other words, they are not

"saved" at all. Two things that will not keep, that can not be saved at all, are labor and money savings. If they are not used at once they are irrevocably lost. A day's labor not used today can not in the future be used. When economy is practised in normal times, labor and capital are set to work providing capital equipment. Under present conditions, economy or saving chiefly means that these are left in idleness.

It is said so often that individuals and governments should use their resources only for absolutely necessary purposes, that the country's resources should not be wasted but conserved; that all our available resources should be saved so that we will have them when confidence returns and they are needed by business. We are too poor to use them now. For, if we use them now we will only reduce the funds available for future use. Those who argue in this way seem to imagine that there is a definite, fixed amount of wealth, resources and funds, stored up and which, if used now to set labor to work will simply disappear. This is a simple notion prevalent a century ago. The plain truth is that the funds and resources out of which people are paid come almost entirely out of what is produced by the labor and capital equipment of the country now. When they are used they themselves create the wealth out of which the laborers, and employers, and taxes are paid. But if the labor and the capital are idle, the wealth out of which to pay them is not really saved; it simply does not come into existence at all. This kind of saving which tries to keep its labor and capital, tries to conserve it and store it for the future, is illu-

sory. On the part of society it is foolish saving.

At the present time millions of unemployed people are finding their labor-power going to waste. Enormous numbers of machines stand idle. Hundreds of millions of funds are running to waste as well. In normal times people save, they buy securities, they deposit their money in banks. Banks buy bonds; they lend to business men; funds are put to use. But now, people hoard their money. In recent years they have not put it to active use. Bank vaults have bulged with cash. They could not lend for business men were not borrowing; they could offer no security or had no prospect for profits. So funds were not used for normal business activities and banks and businesses failed. Banks too were hoarding cash. Their funds were not in the true sense saved; they were merely running to waste.

For years, drastic, blighting, deflation has been going on. Interest rates are low for sound borrowers; production costs are low. But, in spite of low interest rates, business has suffered a paralysis of fear—fear of further falling prices and of incurring greater losses. Men are unemployed because business men do not even see prospects of profits. Entrepreneurs will not borrow and expand production on any worth-while scale until business and profits recover. And profits cannot recover until business expands, puts men to work and thereby increases demand. The impetus toward recovery on any considerable scale can only be supplied by government.

No one doubts that private spending would increase the demand for

labor and reduce unemployment. If great corporations like General Motors, United States Steel and the rest should announce a program of expansion no one would doubt that it would add greatly both to the demand for labor and to the prospects for recovery. It is not less certain that a great program of government expenditure would greatly increase the demand for labor and stimulate business recovery.

But it is sometimes said that government borrowing and spending merely withdraws so much from private industry. In very prosperous times when employment is full, business is booming and capital supplies are exhausted, it may perhaps happen that expenditures of the government instead of resulting in a fresh demand for labor and materials merely divert these resources from private enterprise and diminish the supply of capital available for private industry. If this actually occurs, then government borrowing may have some tendency toward producing inflation. But the conditions at the present moment are most certainly not these. For now capital is abundant, borrowing is cheap and men are unemployed by the millions. It would indeed be strange at such a time to argue that government borrowing and spending would merely divert resources from private enterprise when private enterprise is not making use of them at all. These millions of men, capital, and resources are now idle, going to waste. Private enterprise will not use them. If the government makes no use of them, they will continue to be lost. Every week's delay costs the nation literally millions of dollars.

Moreover, the problem which would arise in normal times as to whether the government would put the funds and resources it acquires by taxation to the best economic use, in other words, the question whether these resources would be better used if left in private hands cannot arise in times like the present for the obvious reason that these funds and resources are not being put to any use whatsoever.

Since these funds and resources if left unused yield no income in return, and since income out of which to pay the factors of production does not come into existence when these factors themselves are not utilized in production, it follows that when private enterprise will not employ them, as at present is the case, they will be used and multiplied only if the government itself undertakes to put them to economic employment. And, more importantly, so long as the government puts these resources to any use at all, wealth is created which otherwise simply would not come into existence. Almost any use, then, that is made of these resources is better than if they are put to no use at all.

It must be obvious surely, that the government in planning a program of government works need not enquire too closely as to the so-called self-liquidating character of the projects in question. Anything is better than mere idleness. Anything is gain. Even if the works program included nothing more than libraries and museums it would mean the creation of wealth at exceedingly small cost. But we are as yet not a rich country which finds no outlet for its wealth except in such directions. We are still quite poor.

There is pressing need for houses to replace the slums in every city and town in the nation. Roads are in great need of improvement. Even the great national highways are few and far between, are dangerously narrow and too often badly surfaced. Important highways still are covered with bridges so narrow as to be a danger to human life. Public services such as parks and swimming pools are urgently needed to improve the health of the nation when owing to the crowding of city dwellings, millions of the poor, without lawns and gardens of their own, find no accessible substitution in playgrounds and green parks. Poor lands could be turned into golf courses to provide healthy recreation now available only to the rich. All these could be supplied from resources going to waste.

What prevents these wholly desirable things from being accomplished? The answer seems to lie in the habits of mind of three groups into which almost all people fall. Those who desire to do something but do not know what should be done, or perhaps they think nothing can be done, because they cannot or will not study the problem. Those who do not see any need for doing anything because things are not so bad as they might be and who have a sublime faith that it will all come out all right. And the last group who imagine that a program of government works would be positively dangerous, and therefore strongly oppose it because it would make things worse than they are.

The strongest opposition to a program of government loans and expenditures comes from those who believe the government cannot afford it and that it would only result in further

unbalancing the budget. To them the balanced budget has become the one necessity for a return to prosperity. They have grasped at this, perhaps, because it is a simple, tangible problem, or because they do not in the least understand what the problem of the budget really means.

Business distinguishes between current expenses, and expenditures of a capital nature, investment. When its credit is good it does not try to finance a capital improvement out of current receipts. No one doubts that the credit of the government is very good; loans have been heavily oversubscribed. People, loath to lend to private borrowers, would eagerly lend to the government. They must have some safe place for their funds, especially when they doubt the safety of the banks. Moreover, this country owes nothing abroad and there is no fear that capital will find greater security abroad than at home. You cannot very well ruin the government's credit by borrowing from some of its citizens to turn it over to other citizens.

But why is the budget unbalanced? It is unbalanced because the expenditures have not been seriously reduced and, more importantly, it is unbalanced because revenues have declined disastrously. Why have revenues declined. They have declined because business activity has declined, and millions of men and women have no wages, and lenders and investors have incomes greatly reduced, and because those who still have sufficiently large incomes have declined to spend as much as reasonable needs require due to fear or "patriotic motives."

Government revenues have declined

because spending has declined and there is so much less to tax. It is an obvious truth, almost always forgotten, that one man's expenditure is another man's income. The incomes people get come to them as expenditures of the entrepreneurs (broadly the business men) in the form of wages, rent, interest, and the entrepreneurs themselves get profits, if there is anything left over. If entrepreneurs cannot carry on industry profitably they won't hire laborers and capital to carry on production. As a result people receive no incomes and capital no return when they are unemployed.

It is the government's task to put these unused laborers and resources to use; their very use creates wealth, incomes out of which spending takes place, and incomes which the government can tax. It is thus, not so much that government works themselves when completed may yield an income, but that the spending of funds borrowed by governments to construct public works sets idle labor and capital to work, creates wealth and incomes out of which taxes are paid. This is true precisely as it would be true if a great increase in private construction took place. Clearly the way to restore business is to spend more. The way to reduce taxes is to increase expenditure and increase the wealth out of which taxes can be paid. If governments spend more, taxes will be lower. It is absurdly fallacious to assume that the way to prosperity is to spend less and less.

A great program of government expenditures is at the moment a prime necessity for the restoration of business activity. That it has been de-

layed so long makes the task the more difficult and the volume of expenditure required the larger. We have allowed for too much wealth to go to waste as it is. There is no fear that the funds will not be forthcoming. No one doubts that should a war develop, governments would be able to raise enormous volumes of funds to indulge in even the most riotous orgy of expenditures and those of a destructive kind. The needs of peace at the present time are surely no less pressing than those of war. But, for the purposes of peace, governments are notoriously timid.

There are broadly two sources of funds available to the government's use. In the first place there are the funds, idle, hoarded by individuals and by banks, simply running to waste. There is the wealth, as has been explained, that never comes into existence because business is contracted to the lowest level. Great surpluses would be created out of the very production now not being carried on—production that itself would create the new wealth out of which to finance future production, once set going by a program of government borrowing and spending. And equally important is the fact that government initiative in spending for productive purposes would provide an undoubted stimulus for private enterprise to begin a new expansion, since the demand created by government spending would increase the demand for the products of private enterprise. For, every new worker set to work has a new purchasing power, while the demand for materials for this labor to use creates a demand for men to produce them, and all these men newly

employed have in addition new purchasing power for goods which others will be set to work to produce. Increased spending is reflected throughout the whole of industry. For one man's spending is another's income.

The other source of funds comes from the saving in money which is spent to maintain the unemployed. All governments, Federal, State, and local, as well as private individuals and corporations, have given enormous sums in doles and private charity to keep the unemployed alive. This has been a necessary expenditure since a civilized society finds it its duty to prevent its citizens from starving. For this expenditure they have got no return in labor. In view of the fact that there is a far better alternative use for the funds in putting men to work earning wages on socially necessary projects, this has been foolish spending. It has been nothing more than subsidizing unemployment. The difference between these gifts to the unemployed, and wages if they had been used to hire labor, is not great. In other words, for very little expenditure in addition to these gifts people could have been put to productive work.

Only the unnecessary fear of an unbalanced budget and a little lack of economic analysis have stood in the way of a sound solution. There is no need to attempt to balance a budget every year. It is in fact a sound principle of finance that a budget should always be unbalanced. In good years, revenue should exceed expenditures to retire the public debt; in bad years expenditures should exceed revenues, the deficit to be wiped out in prosperous years. For a budget un-

balanced in bad times, when this is due to public works expenditures, is a corrective, preventing business from being so seriously depressed as at present, and preventing wealth from going to waste.

It is a view fallacious in the extreme which regards such government borrowings as a wasteful expedient to be avoided at all costs. For government loans and expenditures should be regarded not as liabilities burdening the country but as an essential mechanism for the creation of new wealth and the transforming of idle labor and resources into real wealth for the service of community.

We have been in the hands of conservatives whose one aim seems to have been to save and conserve. But in desiring to conserve, they have let

things go to waste. And they have ended up in having nothing to conserve. The truth is, the radical and the conservative have exchanged places. If the present situation continues for long, drastic changes and recasting of economic society will take place. By vigorously insisting that no change or modification of existing society shall take place we have been brought to the present deplorable state of affairs. If the present organization of capitalistic society is brought to collapse and ruin it will have been ruined by the stupidities of its friends. In our present case, it is being harmed by those who insist upon applying the same economic principles to bad times that they apply to good, by the failure to understand the nature of wise spending and foolish saving.

THE GRACE OF GOD

Beauty is mine for today—
 Song that a passing bird sings,
 Fairness of fruit out of reach,
 Sparkle of dew,
 Down of the butterfly's wings,
 Bloom of the ripening peach—
 All that is precious and fleet
 And fragile and tenderly sweet:
 All that is artlessly gay—
 Colors of garden and forest and cloud,
 Texture of little soft winds in the rain,
 Warmth of delight and caprice of parole,
 And comfort of peace after pain:
 All that is true—
 Standing the test of denial and doubt,
 Turn the light on as you will,
 Or—turn the light out—
 Shining revealingly still.

MARY BRENNAN CLAPP.

SPECIAL LEGISLATION IN RELATION TO PUBLIC POLICIES

DR. MOLLIE RAY CARROLL

University of Chicago

OPPPOSITION to special legislation for women workers is based mainly upon arguments of equity and freedom. It is said that hours, night work, or minimum wage laws rob women of wage-earning opportunities and that women have a right to work where, when, for whom and for what they please. These statements involve basic questions of fact and of public policy. Like all propagandist slogans, they need careful analysis. On the fact of the results of absence of special legislation there has been ample discussion in the pages of this magazine. For years, however, the nation's naïve belief in the reconstruction of the world and the abolition of poverty through the stock market closed most people's eyes and ears to the facts. Now, however, the sweat shop and the gypsy industry can not be disregarded. They create situations which bring to light the fact that the dogmatists opposing special legislation have disregarded.

The first fact which opponents of special legislation have failed to appreciate is that what is freedom under one situation is total lack of freedom in another. Opponents of special legislation are mostly drawn from the professional groups. These women have had to struggle to insist upon the equal intellectual capacity of women and men and their ability to carry on professional work with dignity to the profession and success to themselves.

This struggle has colored their attitude toward the entire field of women's work. They have disregarded the difference in the problem of the professional and wage-earning woman. In the latter case the question is not one of freedom to enter the occupation but of choice between accepting long hours and starvation wages as part of the contract of employment or of no job. Freedom to work on terms permitting substandard living as the only alternative to starvation is no freedom.

That this is the alternative when there is no special legislation arises from the fact that there are more women competing for jobs than there are jobs available. Consequently, without special legislation they progressively bear down wage rates and conditions of employment. Furthermore, at the present time, when unemployment causes men to compete against each other to the deterioration of wages below what is socially acceptable for adult males, the inevitable competitive process, when unregulated, drives out the men, replacing them by women for whom the wages tradition is still that of pin money.

Those who insist upon women's equality with men forget this inequality in economic conditions and social tradition. They are so busy talking about equal voting rights, in a large measure secured, and fighting the ghosts of nearly-forgotten arguments

concerning the mental and physical inferiority of women that they fail to see the actuality of industrial and competitive inequality. Such inequality is not met by words and slogans but by painstaking recognition and remedy of the elements making for inequality. In other words, real justice may only be secured by recognizing inequality and treating unequals unequally, thus in some measure restoring the balance between them or, according to the original Greek meaning of equity, leveling.

So much for the question of freedom and justice to the individual. The matter of special legislation also involves great questions of public policy and public welfare. Under competitive conditions there is no protection to the individual employer or worker against the forces making for progressive reduction of wages. The pressure of the consuming public is for goods at ever lower prices. The manufacturer who stands out against this loses to his less scrupulous competitor. Not only do women compete against each other for jobs but against men. The result frequently is idleness on the part of the father or grown son of the family and the labor of the mother or grown daughter, whose substandard wages the family tries to stretch to cover its entire needs. Yet these wages have frequently been set and accepted by society on the assumption that they provided for a woman living alone without dependents or for the daughter in the household who only needs to earn pin money.

It may well be asked why minimum wages are confined to women's work. In England and Germany they are not. In England the minimum wage

applies to all sweated trades, regardless of the sex of the worker. In Germany the minimum wage is set by the most strongly organized unions. Their trade agreement wage rates are made the legal minimum for that occupation throughout the district or even the entire nation. Both in England and in Germany the minimum wage has tended to raise the wage rates among others than those directly affected. Meanwhile, in the United States custom and constitutional interpretation have limited wages and hours legislation almost completely to women's work. However, since women constitute so large a proportion of the sweated workers, the effects of wages and hours legislation could somewhat be comparable to that of England.

Such legislation, as already indicated, is fair to the employer who wishes to maintain standards. It equalizes competitive conditions and prevents undercutting by the most ruthless wage-bargainers and slave drivers; for competition includes hours and conditions of work as well as wages.

From the standpoint of larger public policy we must also consider what the costs of production are and how they are met. An employment policy that forces a family to contribute to the support of a fully employed, normal adult or that forces an individual worker to substandard living is to that extent parasitic. An employment policy that requires society to supplement wages by relief in the form of cash, food, clothing, rent, doctors' bills, etc., is introducing costs of production that are not visible upon the books of the firm. Society is coming to recognize

these invisible costs of production. How far should we tolerate profits or even continued existence of firms which we virtually have to subsidize?

Another aspect of the question has been forcing itself upon our attention within the past few years. The older classical economists saw wages merely as payment to one factor of production. It was a static theory. The less industry paid to wages the more could go to interest and profits or be plowed back into business. Today we know that the greatest consumers are the workers. Low wages reduce buying power; so do long hours, which concentrate the opportunity for wage-earning upon too few individuals.

Unregulated labor conditions are, therefore, suicidal for industry itself. Some of our most forward-looking industrial leaders are recognizing this

fact and beginning to insist upon shorter hours and improved wages. However, this program can not be accomplished if left to individual initiative. The monetary gains for those who do not play the game are too great, at least in some fields or for short periods of time. The program must be secured by legislation that equalizes competitive conditions. Legislation that deals only with women workers is not ideal but at least within reach and, therefore, a logical early step in the inevitable reconstruction of industry, where the technical problems of production are fast being solved, the problems of scarcity vanishing, and problems of consumption and standards of living pressing toward new principles for distributing what we now find so easy to produce.

SUNDAY

Along the avenues the churches spill
 Slow psalms like colors down an autumn hill;
 The grocery cat, oblivious of the hour,
 Profoundly sleeps upon a bag of flour
 While on the sky in regimental block
 The yellow buildings march their jagged rock
 Clean as a wind and rested and serene
 As a lost prayer in a valley green.
 Somewhere an autumn leaf of flaming red
 Tries to assure the pavement it is dead.
 Money has lost its meaning and its power
 This brief pervading unrequited hour
 Only to lisp its monotone again
 High in the hollow of a beggar's cane.

CHARLES A. WAGNER.

EMPLOYMENT GAIN SLACKENS

TRADE-UNION reports showed employment still gaining in the first part of July, but the gain is considerably less than it was in June. Our weighted figures show the progress made each month since the March crisis; the per cent of membership going back to work was:

April----- 0.5
 May ----- 0.3

June ----- 1.3
 July ----- 0.7*

In spite of these gains, 23.8 per cent of the membership were still without work in July (preliminary figure). Our weighted figures for other months are: April, 26.1 per cent unemployed; May, 25.8 per cent, June, 24.5 per cent.

Record for Six Years

Per Cent of Union Members Unemployed

		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Ave.
All Trades	1928	18	18	18	16	13	11	12	9	10	9	10	13	13
	1929	15	15	14	12	11	9	9	9	10	11	12	16	12
	1930	20	22	21	21	20	20	22	22	21	21	22	23	21
	1931	27	27	26	25	25	25	26	26	26	26	27	30	26
	1932	31	31	30	31	31	32	34	33	32	31	32	34	32
	1933	35	34	34	33	33	31	31*						
Building Trades	1928	36	39	38	32	25	22	24	19	22	18	21	23	27
	1929	30	33	34	29	26	19	16	18	21	22	23	32	25
	1930	38	43	41	40	37	37	39	39	38	38	42	45	40
	1931	51	52	52	50	48	48	50	51	52	53	54	59	52
	1932	62	63	63	65	61	62	64	64	65	65	67	69	64
	1933	70	71	72	71	68†	66	67*						
Metal Trades	1928	18	16	16	12	12	10	13	9	8	8	7	7	11
	1929	8	8	7	5	5	5	6	7	7	7	8	11	7
	1930	15	18	18	19	19	19	21	20	23	21	25	25	20
	1931	28	29	27	29	28	31	32	30	31	31	32	35	30
	1932	34	37	37	39	39	42	45	45	46	46	46	46	42
	1933	47	50	49	49	46†	45	45*						
Printing Trades	1928	4	5	5	5	4	4	5	5	5	5	4	3	5
	1929	4	5	5	4	3	3	4	4	3	4	4	4	4
	1930	5	5	6	6	6	6	7	8	8	7	8	9	7
	1931	10	10	11	12	11	12	13	14	14	14	15	15	13
	1932	17	18	17	18	18	18	21	22	20	20	19	20	19
	1933	20	22	22	22	23	23	23*						
All Other Trades	1928	10	10	11	9	9	8	8	6	6	7	8	11	9
	1929	12	11	8	8	6	7	7	7	7	7	9	10	8
	1930	12	13	13	12	13	14	16	16	14	13	15	15	14
	1931	19	17	16	16	15	16	17	16	16	16	18	20	17
	1932	21	19	18	18	20	21	23	22	20	18	19	21	20
	1933	22	21	22	20	20	19	19*						

*Preliminary.

Each month this spring trade-union reports have indicated the employment trend about three weeks before government figures were available. The government records and union figures have both indicated: A considerable gain in employment in April as industry reacted from crisis, a smaller gain in May, the largest gain of all in June as industry hastened operations to get ahead of codes. Since union and government figures correspond so closely it is safe to assume that the July trade-union figure indicates what is happening in

industry at large, namely, that the June industrial sprint is slackening off.

This slackening was to be expected. Employment normally falls off seasonally in July; also, the feverish industrial activity of June this year was clearly abnormal and could not be expected to continue. Reports from industry indicate this same slackening: The long rise in steel mill activity (since March 25) has stopped, automobile production is slackening, electric power production has declined, building contracts are drop-

Unemployment in Cities

	All Trades		Building Trades		All Other Trades		Part time all trades
	Per cent unem- ployed July 1933	Per cent increase (+) or decrease (-) since June	Per cent unem- ployed July 1933	Per cent increase (+) or decrease (-) since June	Per cent unem- ployed July 1933	Per cent increase (+) or decrease (-) since June	
Atlanta, Ga.	13	+ 4	67	+21	9	0	16
Baltimore, Md.	28	-15	64	- 8	19	-20	25
Birmingham, Ala.	26	- 5	60	- 7	19	- 3	20
Boston, Mass.	32	- 7	56	- 9	20	- 4	24
Buffalo, N. Y.	27	- 8	66	- 3	16	-13	22
Chicago, Ill.	29	+ 2	59	+ 4	21	(a)	18
Cincinnati, Ohio.	31	- 2	78	0	13	- 3	23
Cleveland, Ohio.	36	- 6	70	- 4	19	- 5	24
Denver, Colo.	23	-10	68	-13	16	- 6	20
Detroit, Mich.	35	-10	85	(a)	22	-20	21
Jersey City, N. J.	35	(a)	85	+ 8	20	- 9	31
Los Angeles, Calif.	32	+ 2	53	+ 6	28	(a)	25
Milwaukee, Wis.	20	- 9	52	-12	15	- 8	21
Minneapolis, Minn.	20	- 4	51	- 3	12	- 5	16
New York City.	41	+ 1	79	- 1	28	+ 4	24
Omaha, Nebr.	25	- 1	74	+ 1	11	- 5	29
Paterson, N. J.	29	- 9	55	(a)	25	-11	19
Philadelphia, Pa.	34	+ 2	73	- 1	26	+ 3	16
Pittsburgh, Pa.	26	+ 4	81	+ 5	10	+12	10
San Antonio, Tex.	10	-19	63	-20	6	- 6	22
San Francisco, Calif.	24	- 6	64	- 2	17	-10	27
St. Louis, Mo.	17	+15	40	+ 5	12	- 1	24
Seattle, Wash.	28	- 2	69	- 2	17	- 1	24
Washington, D. C.	12	+ 7	46	+ 5	5	+ 6	10

(a) Under 1% increase in unemployment.

ping off again. It was largely these developments that sent stock prices careening downward.

Union unemployment figures for July come as a warning that business has not been quick enough to reorganize itself under the Recovery Program. The President's general code comes just in time. If we allow the return of men to work to be slackened off, the whole program is doomed.

Our unemployment estimate for the country as a whole shows that (excluding family workers who have found employment on farms) over 1,500,000 persons have gone back to work from March to June. Industrial employment made its largest increase in June, when over 600,000 went back to work, compared with 340,000 in May and 460,000 in April. In addition, work on farms has increased the total number of jobs available. But in spite of these gains, and the smaller gains in July,

well over 11,000,000 persons are still without work. This figure of over 11,000,000 unemployed does not include some 500,000 unemployed who are living and working with relatives on farms and who will at the first opportunity seek other employment. We have as yet made only a small dent on the problem of reemployment. What we can do in the months ahead will depend on the cooperation given the President in his program.

Trade-union figures for July show employment gaining slightly in printing, brewing, trade, railroads, street railways, among musicians, and a considerable gain in water transportation. But unemployment is still increasing in building, metal trades, among government workers and seasonally in clothing trades. Reports for cities show employment gaining in fourteen, but unemployment still increasing in nine; no change in one.



THE BUYING-POWER DOLLAR

BENNETT WILLIS

A NEW money element, a constant of buying power, which, when legally established, will function as a real standard of values and will be a monetary complement of our present single money element, the gold dollar.

* * * * *

A general opinion on the depression is that this catastrophe is not an act of God. We have felt the mysterious cause is no whip of small cords in a divine hand but that the cause inheres in the man-built economic structure. Therefore it is no impious act for us to insistently pry into this matter. Now that the wheels of the economic machine have all but stopped turning, let us enter into the very center of the machine itself, in search of cause and remedy. At this center we find the economic axle, money. A very old-fashioned device indeed, a device spatially adjusted to our needs well enough, but as related to our progress through time, a horrible botch.

Standing now at the center of the machine, let us as precise thinkers on finance, begin our inquiry with a truthful definition of money.

The common short dictionary definition calls money "a common medium of exchange and a standard of value in trade."

Can we accept this definition of money? To be sure of our ground let us check up on it. With our gold dollar in mind we readily agree that money serves well as a medium of exchange, and we concede that the pop-

ular paper currency also is satisfactory as a medium of exchange. But when we encounter the lexicographer's statement that money is a standard of value we pause and question this:

In order to ascertain whether money is a standard of value, let us take our gold or paper dollar to the markets of 1933, to the commodity market, to the labor market, to the securities market, or to the real estate market. If, indeed, our dollar be a standard of value it will now have the same buying power as in the beginning of 1929. However, we quickly see that our dollar now has much more buying power in all markets. We see that the buying power of the dollar is constantly changing. Therefore, we must recognize that the dollar, that money, is not a standard of value. Indeed, its value, its buying power, is not standard but fluctuant.

Therefore, perceiving this, we are impelled to give the lie to our offending dictionaries, and do beg leave to caution economists, financiers and legislators against this careless definition in the field of finance where precision of thought is essential. We presume to correct the dictionaries and in doing so give the correct short definition of our money as follows:

"A quantitative measure, either coined of or based on gold which latter is a universal medium of exchange; no existing money functions as a standard of value."

This corrected definition is given

not to criticize but to clear the ground for a process of thinking.

Also, perceiving that money is not functioning as a standard of value, we will, with a purpose, rephrase the lexicographer's words and say, "Money is that which serves as a medium of exchange and should, but does not, serve as a standard of value."

Face to face with the fact that our money, our gold dollar, is not a standard of value, we believe that the Fathers in Washington will create and legalize a new money element which, serving side by side with the gold dollar will complete and perfect the form of money by which the entire economic machine will be rectified and balanced.

* * * * *

We envision this new, this ideal money form, an improvement on the present too simple form devised by our tribe ancestors, the money of the future, as follows:

A duality of monetary elements, the first element being the gold dollar (including its related paper currencies) which element will function as a common medium of exchange, and the second element being a legally established buying power dollar, a constant of economic value, exactly corresponding to an index number based on and changing with prices.

The second element, the buying power dollar, will supply the needed, essential money function—it will serve as a standard of economic values.

For the sake of this discussion, let us assume that our Congress, without disturbance to the gold dollar, has performed a creative act and has established the buying-power dollar as a legal monetary unit. This buying-

power dollar is changing from month to month in exact direct proportion to the rise and fall of a price index number, which number is derived from such permanent bases as Congress has designated. These bases are, let us say, the United States Department of Labor Index Numbers of the Cost of Living in the United States. Derived from statistics of prices on (1) food, (2) clothing, (3) housing, (4) fuel and light, (5) furniture and furnishings, and (6) miscellaneous, the totals are weighted by the relative importance of the items, and are thereafter proportionally related to the 1913 average, which latter, established at 100 has long been in use by the Department of Commerce. The general average of the six foregoing items as related by percentage to the 1913 average is a statistically and practically accurate index number. Expressing from month to month and year to year, a constant of buying power in the use of our citizenry, it is a suitable number for use as the buying-power dollar. For example using the latest Department of Labor Cost of Living Table No. 1, the buying-power dollar might have stood at \$1.03 of gold dollar value in December, 1914, at \$1.993 in December of 1919, at \$1.725 in December of 1924, at \$1.714 in December of 1929, and at \$1.321 in December of 1932. The buying-power dollar then, expands and contracts in gold content in direct proportion to the rise and fall of prices.

Now we have two differently based dollars. Both are legal. The buying-power dollar is a constant or standard of economic value; the gold dollar (and its shadow, the paper cur-

rency) is a constant or measure of the intrinsically valuable and universally exchangeable metal, gold.

Congress has, by its act, merely created the new buying-power dollar, and, let us say, is supplying through existing statistical bureaus, the service of a monthly price index number to represent the new monetary unit for the following month. Congress has not decreed that you or any business or industry shall use the new unit. It has not even obligated the Federal Government to establish salaries in the new money unit, nor has it put the tax rates in the new unit. In short, the new buying-power dollar is presented on a take-it-or-leave-it basis.

Now we can see that in competition with the new buying-power dollar, the gold dollar still holds its place in trade in all sorts of instant transactions. Also the gold dollar is still the pay-off medium exclusively, even of obligations contracted in buying-power dollars. It is still the master unit of all counting rooms.

As for the new buying-power dollar, though it is never to be embodied in printed or coined currency, we see it quickly finding favor with practically all parties at interest in term and running contracts, particularly wage and salary agreements, and long-term real estate leases. We anticipate that the Federal Government itself and the generality of government employees will adopt and accept the buying-power dollar as a more advantageous form to use in fixing salaries. With this done, in times of prosperity, and high prices when there is more wealth to tax, the Federal Budget can be larger and government salaries larger; similarly, where business is

relatively stagnant and prices are low, there is less wealth to tax and therefore the Federal Budget must be smaller. In such low-price eras the shrinkage of the gold content of the buying-power dollar relieves the strain on the Federal Budget and at the same time government employees find their salaries still adequate by virtue of lower living costs.

In regard to tax rates it becomes apparent that a more advantageous tax rate can be established to rise and fall in proportion to the rise and fall of the buying-power dollar. Thus in case of a sudden drop in commodity prices as in 1929, the establishment of the buying-power dollar as a basic unit in Federal salary obligations and in taxes insures an immediate corresponding fall in Federal Budget obligations and also an immediate decrease in taxes, giving landlords the power to reduce rents. Thus the beneficial effect of using the buying-power dollar is to produce a harmony and to maintain proportion as between commodities, salaries, taxes and rents. We see the use of buying-power dollar producing what A. C. Miller, economist and member of the Federal Reserve Board, calls the "essential stability, the stability of prices one to another." In the view of the writer at least, this desired "price stability" includes not only what are commonly called prices but also such other "prices" as the level of wage rates, in all fields, union and nonunion, taxes, salaries in and out of government service and rents.

In the field of industry we see a wide use for the buying-power money form in fixing labor wage rates. Both employers and employees will view

this new form with favor, the automatic expansion and contraction of the buying-power dollar keeping real wages at an equitable level. In times of high prices, labor at once participates, and in times of low prices labor immediately bears its share of the shrinkage in revenues.

Another large use for the buying-power dollar will be in long-term real estate leases. Landlords and property owners under a lease based on the buying-power dollar will participate equitably in high-price and in low-price eras.

A salutary effect of the use of buying-power dollar in both industry and in real estate will be to snub the tendency to over-speculate in times of rising prices. Many forms of unearned increment will be eliminated, which excessive sums would otherwise flow into the speculative markets.

Another salutary effect will be to

eliminate wage disputes and strikes in times of rising prices and conversely, to end unemployment, in times of low prices, by eliminating the necessity thereof.

This conception of money as a duality—in which gold supplies the first essential monetary function, i. e. of standing intrinsically valuable; in which gold and paper currency (elementally identical) supply the second essential monetary function, i. e. of serving as a medium of exchange; and in which the new money element, the buying-power dollar will really supply a third money function now missing, but essential, i. e. of being a standard of value—this conception of money must soon prevail at Washington. This dual form of money, axis of the perpetually balanced economic machine we are soon to build is inevitable and imminent. It must be adopted.

GOD OF THE FOREST

One day, on the banks of the upper Wisconsin,
I met with a man, and his eyes were the grey
Of the mist that I see in the forest in autumn
Or over a lake at the birth of a day.

And gold was his hair as the maples in sunlight;
And strong was his mouth as a father's is strong;
His face had the kindness of trees to a sparrow;
Treelike he stood where the tall trees belong.

That day, on the banks of that slim northern river,
While sunlight fell down, soft and warm on my face,
And nature was kind as a tree to a sparrow,
I lost my poor heart to the god of that place.

KATHERYN ULLMAN.

UNEMPLOYMENT AND THE MORALE OF INDUSTRY

O. S. BEYER

Consulting Engineer

MANY industrial managers harbor the notion that one of the strongest spurs urging workers to exert themselves is the threat of displacement by idle workers if they fail to give maximum performance. Thus the renowned Samuel Insull once answered, when asked if he did not believe a more humane labor policy would result in greater efficiency, "My experience is that the greatest aid to efficiency of labor is a long line of men waiting at the gate." If Insull and others who think as he does are right, then the greater the number of unemployed clamoring for jobs, the higher the morale of industry. Despite the alleged endowment of wisdom of many industrialists who venture to express themselves on this subject, there has, until recently, been very little if any reliable evidence to show just how workers are affected by unemployment in its various phases. The publication of three books within the last twelve months by serious and competent authorities, therefore, is very timely, especially in the light of the present state of the morale of industry and proposals to shorten the work day or week as an unemployment preventive.

The first publication of interest is "The Dissatisfied Worker." (Macmillan) by V. E. Fisher, Professor of Psychology and Director of the Mental Hygiene Clinic, New York University, and Joseph Hanna, also Professor of Psychology, New York

University, and Vocational Counsellor, West Side Y. M. C. A. The authors here analyze emotional maldevelopment and maladjustment and show their relation to vocational maladjustment and industrial unrest. Of particular significance is Chapter VI, entitled "Emotional Maldevelopment Involving Fear." While this chapter does not estimate the precise effect on industrial performance of fear resulting from different causes, it does reveal that fear on the part of the individual, if sufficiently continuous, results in various types of emotional maldevelopment, which in turn manifest themselves in his attitude towards his work or as peculiarities in his make-up, depending upon the causes of his fear. This is all quite in keeping with what one who has made a scientific study of human behavior in relation to the vital circumstances affecting human welfare would expect. That is to say, fear of unemployment, resulting from past experiences as well as future prospects, tends to arouse serious apprehension in the individual, which may either disturb him mentally until in due time he develops peculiarities, or cause him to adopt so-called defense mechanisms aimed at forestalling the possibilities of losing his job. Fisher and Hanna devote themselves chiefly to the process by which fear and other "drive-emotions" influence and shape the conduct of the individual from day to day. Suffice it to state briefly that

according to Fisher and Hanna, the emotion of fear in industry does not make for the most wholesome kind of employees. And since labor displacement due to technological changes in industry (introduction of labor-saving machinery, for example) as well as unemployment due to business depression are very common experiences of industrial workers, the fear of losing one's job is about as prevalent today and as common to all workers as any other single emotion affecting their conduct. Just how this anxiety about his job affects the worker in a practical way from the industrial manager's point of view, *i. e.*, efficiency, economy and service, is illustrated by concrete examples in the other two volumes. Fisher and Hanna's treatise, therefore, serves as a very excellent general introduction to these documents.

"Restriction of Output Among Unorganized Workers" (The Viking Press) by Stanley B. Mathewson, formerly Director of Personnel Administration, Antioch College, is based on the personal experiences and observations of the author in a wide variety of representative industrial establishments. It is first-hand information of the most authentic kind, because Mr. Mathewson went directly into industry as a worker for hourly wages and made intimate contact with hundreds of workers and their supervisors, both on the job and in their homes. He has uncovered literally hundreds of cases of restriction as related to the fear of unemployment. The introductory paragraph to the chapter in which he sets forth these cases is of particular interest:

"The wage-earner not only adjusts his production to the pay he gets,

holding it down to what he considers fair for the wages that he is paid; he also restricts his output as a means of postponing lay-offs, steadying his employment and stabilizing his earnings. Fear of unemployment is, indeed, a powerful indirect influence for restriction. His method of stabilizing wages may be a mistaken one, but the cases which follow leave little doubt that the more the employer fails to stabilize employment, the more the wage-earner attempts to steady his job by stretching out his work to cover slack periods. The convictions of workers in this matter were expressed tersely by one of them: 'Our gang believes that the only way to have steady jobs is to watch production and suit our rate of work to the orders on hand.'"

Mr. Mathewson concludes his study by giving five impressions which to him stand out clearly, and all of which are very significant:

1. Restriction is a widespread institution, deeply entrenched in the working habits of American laboring people.

2. Scientific management has failed to develop that spirit of confidence between the parties to labor contracts which has been so potent in developing good will between the parties to a sales contract.

3. Underwork and restriction are greater problems than overspeeding and overwork. The efforts of managers to speed up working people have been offset by the ingenuity of the workers in developing restrictive practices.

4. Managers have been so content with the over-all results of man-hour output that only superficial attention has been given to the workers' contribution or lack of contribution to the increased yield. Attempts to

secure increased output have been marked by traditional and unscientific methods while the workers have held to the time-honored practices of self-protection which antedate time study, bonus plans, and other devices to encourage capacity production.

5. The practices of most manufacturing managements have not as yet brought the worker to feel that he can freely give his best efforts without incurring penalties in place of the rewards which usually accompany special attention to duty in other fields of endeavor. Regardless of how much the individual may or may not desire to contribute a full day's work, his actual experiences often turn him away from good working habits.

These conclusions, together with the detailed and interesting supporting evidence which Mr. Mathewson has marshalled, reveal in the first place how profoundly the all too common experience of working short time or losing one's job altogether affects the morale of labor in industry. In the second place they emphasize the inability of those in responsible charge of industry to release the best there is in labor without incurring penalties in the form of unemployment. If this was the state of affairs at the time Mr. Mathewson made his study (prior to the crash of 1929) how much more disillusioned must the average worker be today, when the cumulative effect of depressed business and technological unemployment have been operative for three years? And in the last place, Mr. Mathewson shows in no unmistakable way that the Insull doctrine of a long line of idle workers as the greatest incentive to labor efficiency, not only does not make for such efficiency but in the last

analysis conditions the entire working force of industry to go as slowly as possible on the job; in other words, to espouse the "make work theory" and apply it in a hundred and one very practical ways.

Of further interest in Mr. Mathewson's book is Dr. William M. Leiserson's contribution entitled "The Economics of Restriction of Output," as well as Mr. Henry S. Dennison's chapter entitled "What Can Employers Do About It?" Both of these contributions, by men eminently qualified by experience and insight, are worthy of special perusal. Dr. Leiserson makes clear from the economist's standpoint just why, as industry and distribution are organized today, restriction of output on the part of the workers is inevitable, while Mr. Dennison stresses its very undesirable effects on men's characters and so on society and industry.

The third study shedding light on the effect of unemployment and prospective unemployment on the morale of employees in industry is by Rexford B. Hersey, Research Associate and Assistant Professor of Industry, University of Pennsylvania. It is entitled "Workers' Emotions in Shop and Home" (University of Pennsylvania Press), and is based on an investigation of a group of shopmen employed by the Pennsylvania Railroad in Philadelphia. Professor Hersey, by close personal observation, by interview and conferences, by checks on production and by certain psychological tests, laid the foundation for an illuminating appraisal of how different factors, both inside and outside the shop, influence employees in the discharge of their daily responsibilities.

"The Dread Spectre—Unemployment," Chapter IX, does not confirm the prejudice that the efficiency of the individual is stimulated by the fear of displacement and unemployment. He does not think of those laid off because of work transfer or labor-saving machinery as on the outside ready to jump in and take his job away from him. He fears primarily for his own job, he becomes resentful and worries, all of which in turn reflects in his daily work. Professor Hersey comes to this interesting conclusion:

"Of the various forms of insecurity, fear of unemployment proved most worrisome to all who thought they had reason to dread it. Here the only protection they had was their own effort, though the seniority system did focus the dread on those of less service rather than allow it to exist as an indefinite emotional condition affecting the majority of the workers. The evidence offered by this study does not indicate that a worker faced by such a crisis becomes *ipso facto* more efficient, though he may be made less independent."

In the light of Professor Hersey's investigation of railway shopmen under the influence of changing conditions of the last five years, the following paragraph from Dr. Adolph Meyer's foreword to Professor Hersey's study is worthy of note:

"The whole turn of investigation in the social sciences is in the direction of concrete and direct observation, such as has laid the foundations in the natural sciences that have given us most help. Such work requires unusual labor, persistence, and in this case unusual intuition and critical control of the facts. To have brought these into a study of men at work and

their output and personal reactions is the great merit of the author of this study. It is the first time that adequate observation and description of workers and working conditions have been undertaken on any such terms of intimacy. Yet this is what is needed if one desires more than superficial insight into the problem."

The scientific evidence available, in short, reveals that both the immediate and long-range effect of unemployment in industry, especially that type resulting from technological causes, *i. e.*, introduction of labor-saving machinery, consolidation of facilities, transfer of work, application of so-called scientific management devices and the like, is the generation of attitudes and methods on the part of industrial workers designed to protect themselves against the encroachments of unemployment. It is the contention of all those who have studied this phenomenon conscientiously that this situation is far more serious than is ordinarily appreciated, that it does not make for the best in the employee as a member of society, nor for his best as an employee of industry. It is conducive, in short, to antisocial character traits which reflect themselves in the performance of industry.

Furthermore, the three studies referred to also demonstrate the very great difficulty, if not impossibility, of reducing the effect of the fear for one's job to tangible items of operating expense. The difficulty is largely with the way this factor affects human beings. For want of a better way of expressing it, it may be said to affect the individual and the groups concerned temperamentally, so that in one man's case it may influence the quality of his workmanship, in another his

output, in a third his concern for the material which he applies or the machine he operates, in a fourth his attitude towards the public with which he comes in contact, and so on. One thing is clear from practical experience and that is, if employers manifest a really constructive concern for their employees by doing all within their power to relieve unemployment, fewer labor misunderstandings and disputes arise, quality of workmanship and service improve, the conduct of the undertaking proceeds more smoothly, the working force collectively becomes less subject to emotional reactions and more amenable to reasoned procedure—the whole morale, in short, is progressively strengthened. Ways and means for measuring this tendency quantitatively have not yet been devised but what is understood are the

symptoms which reveal the temper of the human element of the enterprise. Practices and policies in industry which utilize the baser emotional factors in men to control them make for a gradual but none the less certain degeneration of the fiber of the organizations, while practices which look toward enlisting the better motives in individuals before long manifest themselves in a steady improvement of industrial morale. What Messrs. Mathewson and Hersey have shown, in short, is the blighting effect on the morale of industry of those managerial practices which not only ignore the unemployment problem but even go so far as to aggravate it on the theory either of prodding labor to greater efficiency or of subduing it. Such tactics in the end defeat their own purpose.

 FOLDED POWER

Sorrow can wait,
 For there is magic in the calm estate
 Of grief; lo, where the dust complies
 Wisdom lies.

Sorrow can rest
 Indifferent, with her head upon her breast;
 Idle and hushed, guarded from fears;
 Content with tears.

Sorrow can bide,
 With sealed lids and hands unoccupied.
 Sorrow can fold her latent might,
 Dwelling with night.

But Sorrow will rise
 From her dream of sombre and hushed eternities.
 Lifting a Child, she will softly move
 With a mother's love.

She will softly rise.
 Her embrace the dying will recognize,
 Lifting them gently through strange delight
 To a clearer light.

GLADYS CROMWELL.



AMERICA: WORLD LEADER OR WORLD LED? by Ernest Minor Patterson. The Century Co., 1932; 174 pp. Price, \$1.50. Reviewed by W. H. McPherson, Cleveland College of Western Reserve University.

This brief volume is written primarily as an interpretation of American economic conditions and policies for British readers. It should be even more interesting and stimulating to many Americans. It does not make any noteworthy contribution to economic thought, but it does something probably more important. It sets forth basic and timely economic truths in language which makes them understandable to any intelligent reader, even if he has not partaken of the fruits of formal training in economics.

Professor Patterson first describes the chief characteristics of American economic life. Then, turning to the international background, he notes the increase in the number of sovereign nations, the increasingly nationalistic character of their policies, and the growing intensity of all kinds of competition, resulting in part from the mounting percentage of overhead costs. The author lists unemployment insurance as one of the factors increasing overhead cost. This can hardly be true, for the employer's

contribution is generally based upon the payroll and varies with it.

A number of specific international economic problems are next analyzed. The author is particularly interesting in his discussion of the dilemma this country is facing in its forced choice between receiving payments on its foreign loans or limiting imports to "protect" domestic manufacturers. We cannot long continue as a great creditor nation if we refuse to let our imports exceed our exports, since foreigners can pay us only in goods or services. Had it not been for the disruption of the war, we would have changed very gradually from a debtor to a creditor position. In that case our industry would have had time to adjust itself to a slowly mounting volume of imports and our government would not have found itself in the sad position of fostering simultaneously two such incompatible twins as Collection and Protection.

This book is particularly timely just now when our Federal government must choose between economic isolation and economic internationalism. This is the fundamental problem discussed in these pages. The author points out accurately the many ways in which our economic destiny is linked with that of other countries. His conclusions are in

sharp contrast to those of isolationists such as Dean Donham, Moley, and Baruch. He recognizes that, due to developments practically beyond human control, national interdependence is great and constantly increasing; and that any government which pursues a policy of economic isolation is doomed to ultimate failure.

THE THEORY OF COLLECTIVE BARGAINING, by W. H. Hutt, London, P. S. King & Son, 1930. 112 pp. Price, 5s. Reviewed by E. L. Oliver, Statistician, Brotherhood of Railway Clerks.

In the mind of the average man there is a profound distrust of "theories." To call a project "theoretical" is to say that it looks good on paper, but will not work out in practice. There is probably no surer way to dispose of any idea in America than to be able to say convincingly, "That's all right in theory."

This "practical" attitude is not always to be commended. The vague plan of today, based on some still untested theory, may be the accepted process or institution of tomorrow. Many of our most remarkable inventions, including our Federal Constitution, have had their origins in new theories. It is possible to go too far in our rejection of the ideal or the abstract. Theories that seem in themselves useless often produce highly useful innovations.

In the domain of economics, however, the distrust felt by the practical man is amply justified. Not only have classical economists constructed their systems with a minimum of regard for the realities of economic

life, but the sterility of their theories deprives them of the only real reason for the construction of such systems. Early economists defined a set of terms, and by inspecting and manipulating their definitions imagined they were adding to human knowledge. A mathematician, given the definition of a triangle, can produce from his head a great many valuable truths about that triangle; an economist, defining capital, land, labor, entrepreneur, etc., and equipped with a comfortable library chair, can draw a picture of our economic order that is as inaccurate and useless as a Witch Hazel Divining Rod. Such phantasies are given little consideration as long as they are called theories; unfortunately, these same unsubstantial imaginings are often implicitly believed when some one gets reckless enough to call them "laws."

"The Theory of Collective Bargaining" is an example of the futile manipulation of economic phrases. A century or so ago, an English banker evolved the theory that at any certain time there was only a certain amount of money available for wages, and that collective bargaining could not increase that amount. This banker, and a clergyman contemporary, concluded that wage rates must tend to remain at the subsistence level. Putting these ideas together, it was decided that trade unions could only temporarily raise wages for a part of the workers, and that insofar as they accomplished anything it reacted to the detriment of wage-earners not covered by collective bargains. Employers of that day were naturally very eager to accept these new "laws," and

to preach them to the British Parliament in an attempt to discredit trade unionism. The unions, it was said, were only making ridiculous attempts to interfere with inexorable economic forces; collective bargaining, while it might cause harm, could certainly secure no benefits for the workers generally, who were condemned by economic law to live on a subsistence level. These were the ideas which earned for economics its name of "the gloomy science."

Later economists, even down to the present day, have been as devoted to the juggling of phrases as were their fore-runners. Some of them have been more sympathetic with the aspirations of labor, and have accordingly found that economic "laws" did not prevent improvement thru collective bargaining. But most of them could see little if any possibility of long time gains by the workers thru unionism. There was no room in their philosophies for any concept which might upset the neat theoretical doom to which they had consigned the wage-earners. The battle of theories has gone on uninterruptedly during the past hundred years, while labor organizations have been growing and winning steadily higher wages and better working conditions. Economists, however, have been little disturbed by these developments; they have continued to manipulate their pretty concepts to find out what the truth really is, and have been much too busy to look at wage statistics. Only within the last decade, in America, has this kind of economics been really challenged, and in England the science is still primarily a blend of geometry and grammar.

The author of "The Theory of Collective Bargaining" adds one more dissertation to the long list of those on the question of whether it is possible for trade unions to raise wages. He has carefully "examined the literature" on the subject, and his book sets up the ideas of other economists carefully in order that they may be knocked down splendidly. After perusal of the literature, and careful reasoning upon the ideas of others, he reaches these conclusions:

"Workers' combinations are impotent to secure a redistribution of the product of industry in favor of the relatively poor. Such a result cannot be achieved by interference with the value mechanism. . . . The rate of wages which is best for the workers as a whole is that which is determined in the free market. The main useful function of collective bargaining may perhaps be negotiating about those things which,—unlike prices or rates of wages, are not adequately determined by the market process."

It is unnecessary to comment upon the validity of these conclusions; trade unionists reading them must wonder at how completely they have been misled by the rising wage levels of the past fifty years. Labor organizations, they can see, had best discontinue all wage activities. The "value mechanism" will put wages right at the point where they should be for the best interests of the workers as a whole. No interference with this mechanism can improve the status of the relatively poor. Of these things the author is very, very sure. The worker, whose experience

shows him the contrary, is simply deluded; no matter what the facts are, economic theory is infallible.

Einstein may find it necessary once in a while to correct his ideas, and may not be very sure that he is right; Edison may have thought it necessary to test his ideas experimentally; Darwin may have thought it advisable to withhold conclusions until he had spent years in careful observation and measurement of plant and animal life. Scientists in every other field may be cautious in advancing their ideas, and may put them forward only as tentative hypotheses, subject to correction or complete abandonment. But the classical economist has been shown the immutable law; he is right, and he knows he is right. Any man or any group of men who propose to tamper with the law as revealed by the theorist will be summarily punished by the "God in the machine."

There are probably no economic laws. If there are, no one has ever discovered them. If any such law exists, and is ever discovered, it will be subject to whatever sort of control the human race desires to exercise over it. Among those types of control, collective action by wage-earners will continue to be an effective means for increasing wages or improving working conditions. Labor leaders know that collective bargaining is effective, and the knowledge is not gained from an "examination of the literature." They are steadily less influenced by those "economists," newspapers, employers, and others who assure them that at times like these for some mysterious reason the whole structure of industry is

doomed to fall about our ears unless the gains which have been made by organized labor are meekly surrendered.

As such treatises go, the "Theory of Collective Bargaining" is well done. The author remarks, in his preface, that "those who have made no systematic study of economic theory will be unable to understand the compressed argument which follows." It is probably true that such persons would find the book of slight interest.

STANDARDS OF UNEMPLOYMENT INSURANCE, by Paul H. Douglas. University of Chicago Press, 1933. Social Service Monographs, Number 19. 251 pp. Price, \$3.00. Reviewed by Olga S. Halsey.

This valuable book on unemployment insurance fills an important gap in the American literature of the subject. After opening with what is virtually a brief in support of unemployment insurance through state legislation, the author considers the various provisions which should form a part of a sound proposal of this kind and gives his reasons. While the principles recommended follow in general those already familiar through the Wisconsin law, the report of the Executive Committee of the American Federation of Labor, etc., the author varies their detailed application, as in the number of weeks for which benefit should be payable, the relation of benefits to wage rates, etc. The discussion includes one of the few systematic American considerations of the provision which should be made in this

country to supplement benefit for limited periods of temporary unemployment which is all that unemployment insurance can provide.

Two sections of the book stand out as of special interest to the American labor movement. The first is that in which the author considers frankly the part which unemployment insurance abroad has played in maintaining wage rates in the face of falling prices and concludes that rigidity of wage rates under these conditions may be a contributing cause of unemployment. To prevent the possibility of this and at the same time to enable unemployment insurance to discourage drastic wage cuts during a depression, the author outlines a novel wage policy. He proposes that after six weeks of unemployment, in which the worker may hold out for his former rate of wages, he should then be expected to accept work offering not more than a ten per cent cut from the going rate, provided that all other conditions were satisfactory. The refusal of such a position would mean that he would forfeit his right to benefits. The author recognizes that such an arrangement may be unwelcome to the trade unions but he urges that it offers a new measure of protection against excessive wage cutting that is unknown to the labor movement at present.

In connection with wages, the author believes that unemployment benefits should be related more closely to wages than in the current American plans. However, his scheme for a series of wage groups with benefit forming a definite percentage of the wage rate—a higher percent-

age for the lower wage groups and a smaller one among the more highly paid—does not yield such markedly different results for most of the wage groups as to justify the additional administrative work. In this connection an important point is made—that benefits should be based on wage rates which are fairly stable and not upon actual earnings which often fluctuate as the result of part-time unemployment.

The second point for organized labor to consider carefully is the analysis of the stimulus for unemployment prevention resulting from placing the entire cost of insurance upon the employers. The author believes that seasonal, technological and cyclical unemployment are largely outside the control of the individual employer and that the slight additional cost of unemployment insurance will have little effect in promoting stabilization where existing incentives have failed. In all this, he fails to consider the fluctuations of unemployment within the same industry and its implication that management has some responsibility for the incidence of unemployment, if not for the total volume. In common with the Executive Committee of the American Federation of Labor, Professor Douglas urges that adequate benefits should not be sacrificed to the possibilities of unemployment prevention. As one method of securing liberal benefits, he suggests that both employers and workers contribute, with the employers paying twice as much as the workers. Such a system, he believes, is needed not only to provide sufficient benefits but also to secure representation of labor on administrative bodies.

In the appendix, there is a collection of useful documents, such as the Wisconsin law, the bill recommended by the Ohio Commission on Unemployment Insurance and the report of the Executive Committee of the American Federation of Labor.

This book should be read and carefully studied by all representatives of organized labor in a position to shape or influence the development of state legislation. It will prove useful to others when called upon to speak or to formulate plans for joint union and employer unemployment insurance plans.

INFLATION, by Donald B. Woodward and Marc A. Rose, published by Whittlesey House, McGraw Hill, New York and London; 165 pp. Price, \$1.50. Reviewed by Luther Harr, Professor of Finance, University of Pennsylvania.

The authors of *Inflation* frequently admit that "the world sadly needs higher prices" and state in the preface "this book is purely expository, an effort to explain clearly and impartially to the layman a subject which frequently is distorted by prejudice, mounting more often than not to fanaticism, or at best is wrapped in the fogs of professorial jargon."

The book is divided into two parts. Part I deals with "Inflation and Deflation in Earlier Days;" Part II presents "The Acute Problem Today." It is a well-rounded work written in an attractive form for the layman. Both deflation and inflation are discussed. The authors point out—

"When prices fall nowadays, they destroy money. That was not true

when all money bore the king's stamp. It certainly is true today. Every time prices fall far enough to destroy a man's ability to pay a debt, the money based on his debt is destroyed. Every time a bank calls a loan in anticipation of such an eventuality, money is destroyed.

"From 1929 through 1932, bank-credit money to the tune of \$18 billions was thus destroyed in the United States alone.

"It is ridiculous to talk about low prices tempting buyers into the market when the ability of the public to buy anything at any price is being destroyed on that scale."

They also use historical references to illustrate the disastrous effects on the wage earner of wild inflation. In their conclusions they state—

"Like rum or religion, inflation and deflation are among the things men cannot debate in the light of cold logic. The man who is sincerely trying to form an unbiased conclusion soon turns discouraged from the literature on the subject; half of it violently berates proponents of reform as insane heretics, the other half scathingly denounces conservative defenders of things as they are on the ground that they are pitiless champions of vested privilege."

In the reviewer's opinion, the authors have succeeded in discussing impassionately deflation and inflation and have rendered a real service in presenting in readable form the several aspects of these controversial subjects. It is important for all of us, and particularly the wage earner, that the Ship of State be so guided by the Administration as to avoid both the Scylla of extreme deflation and the Charybdis of extreme inflation. This country must have a mon-

etary and banking system which will supply a medium of exchange adequate to enable its citizens to enjoy its vast resources.

The book should be widely read and should be helpful in forming intelligent public opinion concerning the most important question of the day.

THE INCIDENCE OF WORK SHORTAGE, by Margaret H. Hogg. New York, Russell Sage Foundation, 1932; 135 pages. Price, \$2.50. Reviewed by W. Ellison Chalmers.

Although this book is primarily for the use of research workers, its preliminary conclusions are of some interest to workers generally. It is the summary of a study of 2,097 families in New Haven in the Spring of 1931. Because of the care with which the work was carried on it can be accepted as a statement of the facts concerning the unemployed in New Haven at that time.

Although we cannot know just what change has come in the situation since that time, the following facts of that period are interesting:

There is a definite tendency for unemployment to affect men more than it does women, men being 19½ per cent unemployed, compared to 14½ per cent for women. This contrast varies somewhat between age and marital groups but is present in all of them.

Single men are half again as likely to have been laid off as married men, possibly indicating the plants have attempted to reduce their payrolls with some relation to dependency.

The foreign-born workers are hit

more severely by unemployment than the native-born workers.

The rate of unemployment is quite severe among the younger people, shades down to a lower point for those in the middle thirties, and then increases rather sharply for older workers. Since the study also found an accentuation in the length of unemployment among the older workers, one can fairly conclude that both in lay-offs and in rehiring there is some discrimination against older workers.

The highest percentage of unemployment was among the building trades and the least among the merchant trades and professional services. The data did not distinguish between manufacturing lines.

The figures suggest a tendency for New Haven employers to have imposed unemployment less upon the heads of families than those without dependents. But it is also true that a very large proportion of the families in New Haven had suffered a loss in wage income from unemployment or unemployment of some one of its contributing wage earners. "On the one hand the percentage of families with all earnings cut off is less than the percentage of individual wage earners who are idle. On the other hand, the percentage of families with its income curtailed by idleness of at least some wage earners is much higher than the ordinary idleness figures for wage earners."

The rest of the book includes a number of tales concerning the details of their findings, and an elaborate statement of the techniques and definitions used in the study. These will be of value to other research workers, especially those engaged in

similar projects. Periodic surveys of this character will give a basis for an appraisal of the specific ways in which unemployment strikes classes of workers.

THE INDUSTRIAL DISCIPLINE AND THE GOVERNMENTAL ARTS, by Rexford G. Tugwell. Columbia University Press, 1933; 241 pp. Price, \$2.50. Reviewed by P. H. Groggins, U. S. Department of Agriculture.

Dr. Tugwell proposes a system of planned government in the public interest which should come as a message of hope to a perplexed and impoverished populace who recognize the need for drastic changes in the form as well as the administration of the government.

The author visualizes an industrial democracy in which the control rests not with selfish entrepreneurs, but with the government functioning through technicians supported by an educated, disciplined and organized labor. He anticipates that the transition from *laissez faire* to industrial democracy, from economic waste to efficiency, from personal and class greed to action in the public interest, and from chaos to order is confronted with many stubborn and apparently immovable obstacles. Among these is our archaic constitution. Dr. Tugwell recalls that "Our reformers are faced with the necessity of using an antiquated instrument, subject to the most conservative interpretation, to accomplish their ends." Previous efforts to regulate business in the public interest through agencies such as the Federal Trade Commission have also demonstrated that "the ingenu-

ity of the corporation lawyers has outrun that of legislators and administrators—granting that there is a genuine will to enforce the law among these latter—a rather doubtful assumption in recent years."

In the "Industrial Discipline" the author reveals the influence of his university associates in the technocracy movement. But Dr. Tugwell breathes life in all its aspects into that mechanical monster. Here recognition is given to the psychological, sociological, industrial, and political influences which play such an important part in our society. He finds that in any logical society responsibility for the future orderly and equitable operation and administration of industry is to be placed on the technician.

From his dispassionate analysis of industry the author concludes that "the ruthless, grasping, antisocial temper of an unchecked entrepreneur class has made us forever suspicious of their ability to control the forces at their command for the benefit of society." On the other hand, and in agreement with Reed (*The Labor Philosophy of Gompers*), he contends that labor has failed to widen its program to include a reconstructive social program which looks to statesmanship rather than cheap bargaining for a bigger slice of the profits which are derived from the existing industrial racket. The author therefore recommends a liaison between workers and technicians, for these groups would seldom voluntarily close down their operations. The Professor's critical analysis of the labor cause may be fair but it is

hardly sympathetic. Labor, individually or collectively, has had no opportunity to put aside reserves which would enable it to concentrate its efforts on a policy of the ultimate good. It has had to battle for its daily bread while driving the piles for a sounder and more social foundation on which the new industrial democracy may be reared. In the federal government the author may explore the possibility of translating his theories to the social laboratory—organizing the large groups of technicians, i. e., chemical, civil, mechanical and electrical engineers, that are available.

Even to the casual student of current history it will become apparent

that Dr. Tugwell's ideas have had a profound influence on the leaders of the present administration. "The Industrial Discipline" may be considered as a timely contribution to the appreciation of legislation involved in the "New Deal." Leaders of organized labor and custodians of industry should read it in self-defence. Federal technicians will do well to become conversant with the social program outlined by their distinguished co-worker.

It is predicted that this book, written by a member of the administration's official family, will have a far-reaching effect on the economic and political fabric of our government.

SOLITUDE

The shadow of a crag was on my birth
 And on my youth the shadow of a pine.
 High in a bleak niche of the faulted earth
 Long mysteries of solitude were mine.
 Old Mount Dolores in her austere shawl
 Was my strict foster mother. From her frost
 The cold doom of a desolate waterfall
 Poured thunder down the Valley of the Lost.
 There voices babbled not, but every sound
 Was sharp and certain. On the lonely steep
 Stern men, not of the multitude, I found
 With strong, grave faces worth a memory's
 keep.
 By forest disciplines that I have known,
 If need be I can dare to stand alone.

—CLIFFORD J. LAUBE.



FROM THE ATLANTIC TO THE PACIFIC

North Atlantic Section

INCREASED employment is noted at Saint John, N. B., in the wood-working industry, dry dock and ship repairing, pulp-wood cutting and textiles, writes James A. Whitebone. Intensive organizing plans are well under way whereby it is hoped to re-establish unions which have ceased to exist and strengthen membership in others. Brooms and brushes, textile and pulp products are used in foreign trade. There is also a considerable shipping of fish products. Our out-of-work have been well taken care of under a municipal scheme of direct relief, but it is now proposed to inaugurate extensive public works for cash wages. Labor is continually agitating against any curtailment of educational facilities with complete success so far. The Child Protection Act was adopted in 1930 by the Provincial Government but has not yet been placed in operation. Labor is always on the alert to prevent exploitation of children in industry and we have been instrumental in many cases in correcting injustices in this respect.

Charles H. Ward reports that all industries at Rutland, Vt., are run-

ning on short time and with short help. Charity is doing the best it can for those out of work. We have no children employed so far as the writer knows. There has been a slight pickup in building.

Most of the factories at Marlboro, Mass., writes John T. Tucker, are working on part time. We are all working to keep our membership in 100 per cent good standing. The unemployed are making out very poorly, as most of them are on the verge of having their homes sold for mortgages and taxes. We are keeping our schools up to normal, but our teachers voluntarily took a 10 per cent cut in salaries.

The shoe shops at Middleboro, Mass., are taking on more employees, writes Will Anderson, and in some instances are increasing wages. There is not much work in the building trades. The unemployment situation is better, due to the fact that more people are getting work. Educational facilities will be maintained next year.

Reports from Worcester, Mass., are that comparatively few have been hired, but nearly all large concerns

have increased working hours. Most businesses report a 10 per cent increase. The Central Labor Union is to hold a meeting to formulate plans for a city-wide campaign. Shoes, textiles, tools, machinery, emery wheels, leather, stamped metal goods, etc., are produced for foreign trade. About 10 per cent less are applying for help from the Welfare Department. Education facilities will be maintained. Barbers campaign resulted in 50 applications for membership.—FREE-MAN M. SALTUS.

The textile industry at Cranston, R. I., is taking on workers and there has also been a slight gain in employment in the metal and building trades. Jewelry trade held a conference to see what could be done under the Industrial Recovery Act but no action was taken. The campaign of the United Textile Workers has resulted in adding more than 5,000 members in the state during the past month. Over 1,000 relief workers in Providence went on strike as a rumor spread their small wages were to be cut. They were assured after one day's strike that there would be no cut in pay. The Child Labor Amendment was ratified and a bill prohibiting the sale of convict-made goods in this state was also passed.

The U. S. Aluminum Company and the General Electric Company at New Kensington, Pa., and the Allegheny Steel Company at Brackenridge, are taking on workers, writes Charles M. Slinker. Window glass, aluminum ware and electric conduits are used in foreign trade. Most of the unemployed are being cared for by state and county relief.

At Albany, N. Y., the Albany Paper Company is now working 400 people on full-time schedule, writes John J. Dillon. Building tradesmen and teamsters report shorter work hours. The city gives those out of work three days work a week at \$3.00 a day. Education facilities will be maintained next year. We are doing all things possible for the children.

The Eclipse Company, which makes starters for Ford cars, at Elmira, N. Y., have put about 30 men back to work, writes Harry B. Martin. All industries are working short time with greatly reduced forces. We are making every effort to have the workers join the union of their respective craft. Two projects are using emergency relief workers, one at the Reformatory and the other on the State Park at Sullivan's monument. The Elmira College is arranging to take male students for a two-year course starting in September. The Kennedy Valve Company, makers of valve and fire hydrants, which are purchased by municipalities throughout the country, pay wages far below any rate that could be considered a living wage.

Business is picking up at Camden, N. J., writes Ernest R. Lewis and the employees are being hired by the Victor R. C. A. Company, the Campbell's Soup, Radio Condenser, the du Pont plants at Gibbstown, Deepwater, Carney's Point and the Vacuum Oil Company at Paulsboro, N. J. The Du Pont plants are working three shifts of eight hours each. We are negotiating with the Victor R. C. A., the Campbell's Soup and the New York Shipbuilding Corporation at the present time. All of the above men-

tioned plants make products that are shipped in foreign trade. The unemployed are receiving a dole from the state which amounts to \$3.50 or \$4.00 a week per family. Education facilities will be maintained. We have drafted new laws to protect children and minors.

The rubber company and cork industry at Cedar Knolls, N. J., have added to their work force, writes Aaron B. Losey. Wages of the unemployed are slightly better than that paid common labor. A bill increasing the age at which children may work has passed the Legislature.

The W. A. Fletcher Shipyard of Hoboken, N. J., is taking advantage of the Industrial Recovery Act, writes D. J. McGuiness. Educational facilities will be maintained this next year. The unemployed are receiving relief from the Unemployment Relief Committee. None of the industries are taking on additional workers, nor are they increasing wages or shortening hours.

South Atlantic Section

Educational facilities are being maintained at Lynchburg, Va., writes W. M. Coleman. Workers are being taken on by the foundry, pocketbook factory, planing mills and in the building trades.

At Asheville, N. C., the Rayon Plant has put on about fifty workers and is still putting on additional employees, writes W. B. Plemmons. The mercantile stores and cafés due to the state's fifty-five hour law in some cases have reduced wages in proportion to the time reduced. The unemployed

get two days work per week for which they receive \$2.40 in groceries—some have community gardens. Teachers' salaries have been reduced.

Wages of textile workers at Asheville, N. C., have been increased 10 and 12 per cent, writes Clyde Carscaddon. Commercial printers are reported to be taking advantage of the Industrial Recovery Act. Textile and leather products are produced for foreign trade. The unemployed are existing on the most meagre subsistence. Asheville has only been allotted at this time sufficient funds which we believe will enable us to have the schools open for four or five months.

While the Aiken Textile Mills at Bath, S. C., are putting on a few additional workers, they refuse to reemploy those that had been fired for union activities, writes L. James Johnson. Wages have been increased in textiles. Some departments in the Aiken Mills are working the 48-hour shift instead of 55 as formerly. A large organizing campaign is on among the textile workers and it is having its effect on the unorganized, who are waking up. The unemployed are getting along poorly, as our unions don't have funds to supply them. The Red Cross isn't doing anything. Educational facilities will be maintained during the coming year. Creek Valley has increased wages 10 per cent and the cost of living has increased 25, which really makes a 15 per cent wage cut for the workers.

Textiles at Spartanburg, S. C., are taking on employees, writes F. M. Easterlin, and have increased wages

about 10 per cent. There is talk of the textiles going on the eight-hour day. The unemployed get from the R. F. C. 50 cents, 75 cents and a \$1.10 a day. While educational facilities have been maintained and will be the coming year, yet the salaries of teachers have been cut. The writer broadcasts each Sunday over Station WSPA on old age pension and other social legislation.

The printing trades at Montgomery, Ala., are shortening hours of work, writes Robert B. Mullen. Textile workers got a 5 per cent increase in wages. Barbers have raised their prices 10 cents. Commercial printers and laundry plants are becoming active in trade associations to take advantage of the Industrial Recovery Act. Lumber, cotton and barrels are produced for foreign trade. The unemployed are making out very poorly working for the R. F. C. The musicians' union has given a charter to 25 colored musicians and this will mean much to the local as union prices will be maintained by the new members.

The Swisher Cigar Plant at Jacksonville, Fla., has put on about 200 new employees, writes J. L. Rhodes, but has the same fifty hour weekly work schedule. The unemployed work on the streets, sewers and highway, but at low wages.

Building permits issued at Miami, Fla., show an increase over 1932 and prospects are brighter for craftsmen, writes F. J. Reed. Printers are active to take advantage of conditions of National Recovery Act. The barbers had an excellent campaign. The carpenters have been meeting weekly at

union headquarters and the unorganized men have responded excellently to invitations to attend. The government relief work is affording an opportunity to help place some of our unemployed. The printers are on the five-day week and that helps spread work. Our educational facilities will be maintained but the teachers will have added responsibility and probably less pay. Our Legislature failed to consider the Child Labor Amendment and our Compensation Law suffered the same fate.

At St. Petersburg, Fla., the Aubrey Kennedy Production Company, a newly organized motion picture concern, will engage several draftsmen shortly. This concern is unionized. The local daily newspapers have shortened hours of printers to five days per week. The Central Labor Union is planning an active membership drive for the coming fall for all affiliated unions. The local unemployed are either provided for in a small way by charitable organizations or work on city service work at the rate of 32 hours for \$4.00. If the \$7,500,000 voted by the Legislature is collected it should assure a school term of eight months. The State Federation of Labor has expended every effort as well as money in a vain attempt to secure enactment of the child labor law and workmen's compensation measure.

Middle Western Section

There are no signs of a business pickup at Winnipeg, Canada, and none of the firms are taking on workers, writes W. E. Stubbs. The railroad shops are working ten days a

month with an increase in the hourly rate of pay. Barbers are trying to organize and clothing workers are laying plans for an organization. Our unemployed are still being looked after by the Federal provinces. Children must attend school until they are 14 years of age.

All factories in the Town of Port Colburn, Canada, are operating full time and their is nobody on relief now, writes S. A. Stephins. The eight hour day is worked in most cases. Every person on relief at Thorold, Canada, has a fine garden—seeds are supplied by the town. We have no child labor here. We have a dental clinic for the school children and health conditions in general are good.

The International Lumber Company's big saw mill started operation on June 5, giving employment to 300 men, writes Harold Reich. Insulate wood products, sheeting and roofing are used in foreign trade. The city is giving work to the unemployed and the county and township commissioners are making them earn the federal help by giving light part time work. Educational facilities are being maintained.

At Grand Rapids, Mich., the tire and refrigerator companies have taken on additional workers, writes Edward Kosten. The furniture manufacturers have taken advantage of the National Industrial Recovery Act and are active through their trade association. Wood working machines and furniture are used in foreign trade. The unemployed are receiving free relief but have made a demand for a greater amount of groceries. We

passed the child labor bill, prison product and old age pension bills. A new union of school teachers has been organized.

E. M. Curry sends in word that the paper mills at Kalamazoo, Mich., are making preparations to increase their working force. Some efforts are being made by the metal tradesmen to collect together in order to negotiate under the Industrial Recovery Act. About 1,200 families are on relief. It is very doubtful if the schools can be maintained next year—the salaries of the teachers are still due for a third of last term.

Two of the breweries at Cincinnati, Ohio, are taking on additional employees, writes George Black. There have been no wage increases or shortening of hours in industries here. The building contractors are busy in their activities through their trade association. The unemployed are making out poorly.

At East Palestine, Ohio, the Adkinson Tank Works have taken on additional workers, writes George H. Allcorn, but two of our potteries have laid off sixty men due to the installation of machinery. Educational facilities will be maintained.

At Hamilton, Ohio, the stove manufacturers are taking on additional workers, as are the steel and paper industries, writes Stanley Ogg. The 30-hour week is being followed on public works. There is considerable unrest among the unemployed—they are holding meetings, parades and marches on the State Capitol. The school year may be shortened some-

what and some of the frills removed. A minimum wage law for women and children recently passed our General Assembly. The county commissioners recently adopted a resolution placing 40 cents per hour as the minimum wage on all county contracts.

The American Rolling Mill at Middletown, Ohio, is taking on additional workers, writes Gus Miles, and it has started to operate some departments on the six-hour day. Steel and paper are produced for foreign trade. The city has done a good job in caring for the needy—no one has gone hungry here. The Board of Education will try to operate the schools the full term of ten months this year. They were cut to nine last year.

While the iron and steel plants at Youngstown, Ohio, are taking on workers, it is estimated, advises Edward W. Miller, that at least 8,000 men will not get back. The Sheet & Tube Company have a "company union" in their plant and local mines. We are trying to organize the truck drivers, tailors, brewers and retail clerks. Steel workers seem to be hopeless as far as organization is concerned. Metal furniture, fabricated steel products and engineering machinery are produced for foreign trade. Relief funds allow \$1.60 for a family of three and a sack of flour every three weeks. About 12,000 families in the county are receiving aid. It is doubtful if we maintain our educational facilities. The State Assembly passed minimum wage law for women and children but it has

not yet been signed by Governor White.

At Chicago, Ill., the breweries, malt houses and steel mills are taking on workers, writes Jos. W. Morton. Cold storage houses have shortened hours. Meats and steel products are used in foreign trade. Many unemployed are leaving the city. There is an attempt to curtail educational facilities. No labor bills have been passed up to May 15 by our Legislature.

At Jacksonville, Ill., the clothing factories are taking on additional employees, writes Charles E. Souza. Painters and bakers have shorter hours, and the latter have signed an agreement for another year at the same scale. Mechanics in State institutions are only working part time.

A. F. Zollinger reports that at Elkhart, Ind., rubber plants, auto parts establishments, paper mills and box factories are taking on workers. The unemployed are not making out very well. Educational facilities will be maintained.

The following industries at Kokomo, Ind., are taking on workers, writes H. E. Vincent—Continental Steel Corporation, Globe American Corporation, Hoosier Iron Works, Superior Tool Works, Jenkins Glass Company and the Kingston Products Corporation. There have been no wage increases or shortening of hours. The Kingston Products Company has become active in a trade association. Metal polishers are strong for a 100 per cent organiza-

tion. Building craftsmen are barely existing. Flint glass workers are putting on an educational campaign. The carpenters now have an agreement with lumber dealers to quit contracting and to throw the work to union carpenters. The Standard Pottery is scheduled to begin operations and to employ between 250 and 300 men.

The local industries generally at South Bend, Ind., have taken on additional workers, writes Mary L. Garner. Our unions still report much unemployment. The dole to the unemployed is not so large. Teachers' salaries have been reduced and the school term shortened.

In the last 90 days manpower has increased about 20 per cent at Des Moines, Iowa, writes W. B. Hammil, as workers are going back to work in the woolen mill, glove company, stores, tire company, etc. The Lake Shore Tire now operates four six-hour shifts. The Maytag Washing Machine Company and the Newton Iowa Manpower Company are constantly adding to their payroll. The Iowa Manufacturers Association in recent meeting declared for the Recovery Act, except for section 7, but no doubt in time they will recognize that. For foreign trade we manufacture face powder, cream, hair tonic, patent medicines, clothes, meat, flour, and threshing machines. Unemployed people have a hard time getting on here and the dissatisfaction in the handling of the R. F. C. funds increased their difficulties. The Legislature reduced educational facilities approximately 22

per cent last spring. Wages in all public institutions were cut from 5 to 25 per cent. The last Legislature ignored such humanitarian measures as the child-labor law, old-age pensions, minimum hours of toil and sweat shops.

The button factories at Muscatine, Iowa, are taking on additional workers, writes J. U. Rehmer, and have been given back 15 per cent of their 50 per cent cut in wages. There has been a reduction in educational expenditures. The unemployed are not very well looked after.

About 2,000 men have been called back to work in the industries at Louisville, Ky., writes Herman F. Young. Printing, clothing, tobacco, lumber and laundry industries are becoming active through trade associations to take advantage of the Industrial Recovery Act. Less than half of the unemployed are partly cared for through the R. F. C. and city funds.

The Shell Petroleum Corporation at Arkansas City, Kans., have shortened hours, writes Abe Garrison. Crude oil, oil refinery products, meat packing products, flour, feed and wheat are all produced for foreign trade. The unemployed are working one day a week on roads or in gardens and get \$2.80 a day, but are paid in groceries from the county commissary. Educational facilities will be maintained next year.

None of the industries at Hot Springs, Ark., are taking on additional workers, writes C. C. Pavin,

The "New Deal" for Organized Consumer Credit

New laws to regulate and improve financial facilities for loans to consumers (people with income but no bank security) have just been enacted by the Indiana and Wisconsin legislatures. Governor Comstock has announced that these and other plans will be considered for submission to the next session in Michigan.

These were the most outstanding forward steps in the "new deal" for organized consumer credit taken in the numerous state legislatures just ended, or ending. Since the previous general legislative session, in 1931, three other states, New York, New Jersey, and West Virginia, amended existing laws to increase the maximum legal interest rates on consumer loans, thereby making it possible for commercial capital to enter their consumer loan fields.

New recognition is given the social and economic need for consumer borrowing by these legislative actions. We predict that the Indiana-Wisconsin measure will expand and stabilize machinery for loans to wage earners in those states because it:

1—Takes the small loan business out of the "political football field" by shifting maximum rate-fixing powers from the legislature to a state "fact-finding" commission or commissioner.

2—Gives this commission greater authority to investigate, license, and regulate small loan companies, and to oust undesirable lenders for cause.

3—Recognizes loans to consumers as a necessity by stipulating that maximum rates of charge shall be fixed fairly to both the borrower and "efficiently operated capital"; provides rates may vary as applied to loans of different size or security.

4—Classifies small loan companies as competitive businesses to be regulated by the "convenience and advantage" of the community rather than as public utilities to be subjected to legislation designed to prevent potential monopoly.

5—Requires lenders to prove and maintain financial responsibility, good character, experience and fitness to make consumer loans.

The new features are based largely upon the Russell Sage Foundation's latest (1932) revision of the Uniform Small Loan Law, which regulates companies making loans up to \$300 to wage earners and stipulates the maximum interest rates which may be charged. The Foundation first proposed the law, as enacted in many states, about twenty years ago, and has recommended revisions to meet new conditions several times since. The Indiana - Wisconsin provisions transferring to a commission the power to set maximum charges were added to the newest revision.

Nearly all organized small loan companies affected by the

law approved of its enactment in the two states. They felt that state control over the financial responsibility, character, experience and fitness of lenders will be a weapon capable of dealing a death blow to irresponsible lenders who have harassed the public and the small loan business alike.

Twenty-five states now possess laws regulating small loans and interest rates. The business is a comparatively young one, but its recognition has been rapid owing to the public demand for its service. Whereas the first laws were largely remedial, to curb irresponsible lenders it is the obvious temper of current legislation to establish a fair code which will permit reputable financial systems to operate.

Present regulatory laws withstood assaults from enemies of consumer credit and the monthly interest plan in several states. Despite sensationalism based sometimes on the country's unfortunate economic plight and the "red herring" of "paid lobbyists" dragged across the trail of financial facts, most amendments enacted were in sound support of wider consumer credit rather than its curtailment. In Michigan, where charges of "lobbying" were extremely bitter against small loan institutions seeking to protect the industry, the Governor's veto of a bill to cut interest rates drastically was ac-

companied by the statement that his legislative council would study the Indiana-Wisconsin laws and other proposals and prepare a revision of the law for consideration at a coming session.

Most significant, as regards the question of fair interest rates, is the action of New York, New Jersey, and West Virginia. These states had adopted the Uniform Small Loan Law, but for several years attempts to enforce sharply reduced legal interest maximums were made. The result of the reductions showed clearly that commercial capital cannot be forced to operate at a loss. It withdrew from the consumer loan business. Restoration of rates affording a profit to the lender was necessary to reinstate the service.

Only one state, New Hampshire, passed backward laws during the present general legislative session. These laws cut the interest rate more than one-third. This means, obviously, a drastic reduction in the amount of money that will be available for consumer loans there.

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and wages are rather on the decline instead of increase. The Associated Charities look after the unemployed.

Lawrence J. Mero reports that workers in the State Mill and Elevator, and on road construction at Grand Forks, N. D., are returning to work again. Employees at the State Mill and Elevator have been put on the six-hour day and their wages have been increased 3 and 5 cents an hour. Flour is produced for foreign trade. Drastic cuts in teachers' salaries have been made and the teaching staff reduced. Chances are that some grades will only be on half-day sessions. Organized labor has protested salary cuts and curtailment of school activities. Our state has ratified the Child Labor Amendment.

None of the industries at Minot, N. D., are taking on workers, writes H. C. Kiehn, but some are laying them off. Educational facilities will be maintained during the next year. The Child Labor Amendment was passed by our last Legislature.

At Tulsa, Okla., some of the oil industries have taken on workers, writes G. E. Warren. Wage increases, however, have been very slight. The Oil Field Manufacturing Company shortened hours. The oil companies and the oil field industries are becoming active in trade associations to take advantage of the Industrial Recovery Act. Oil, flour and lead cotton oil products are produced for use in foreign trade. Educational facilities will be maintained next year. We are looking for the

Legislature to ratify the Child Labor Amendment.

Gulf States

San Angelo, Tex., has been doing street and park work with the aid of the R. F. C. Carpenters and painters are doing all in their power to hold what they have and to increase their membership. Wool and mohair are the main items produced for export trade. Educational facilities will be maintained. We have a new law whereby the state, county and city has to pay the prevailing wage on their work.—A. C. WHITLOW.

The Miller Cotton Mills at Waco, Tex., are taking on additional employees, writes B. F. Shearod. Cotton is also used for our foreign trade. It is doubtful if educational facilities will be maintained next year.

Mountain States

All unions at Helena, Mont., are laying plans to increase their membership so as to become representative of their trade in dealing with employers under the Industrial Recovery Act, writes James D. Graham. Lead, zinc, silver and copper are produced for foreign trade. The American Smelting & Refining Company smelter closed this month, adding a few hundred to the ranks of the unemployed. The child labor bill was defeated.

Some of the industries at Ogden, Utah, have cut wages and none have taken on additional employees, writes T. E. Myers. To get around the

new law most industries have lengthened the number of hours per day with the same wage prevailing. Most locals are getting ready to start an organization campaign for membership. Flour mills send some products to foreign countries. The Ogden Iron Works have made mine cars for foreign trade. Those out of work are worse off now than at any time during the depression. If taxes are paid all indications are that education will not suffer.

It is reported at Salt Lake City, Utah, that automobile repairing is increasing and some seasonal improvement, but the building industry remains practically at a standstill. Market owners have met to form a code of ethics and have recommended the ten-hour day for grocery clerks, which means a considerable shortening of hours. Building contractors, market owners, cleaners and dyers and laundries are active through their trade associations. The painters are making a membership drive and are offering special inducements. Copper bullion and silver products are used for foreign trade. County relief financed by the R. F. C. funds has saved people from starvation. The local branches of the Mormon Church have acted as relief distributors for the county and have induced recipients to do work on church projects for almost nothing. There has been some curtailment of teaching facilities. A minimum wage law for minors and women has been enacted by the last Legislature and should soon be in effect.—F. A. NOLLER.



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Pacific Coast

At Bellingham, Wash., the lumber, fisheries, pulp and paper mills are taking on workers, writes C. E. Roany, at a small increase in pay. A campaign is on to build up the meat cutters' union. Lumber, pulp and mill products are produced for foreign trade. The unemployed are getting relief from the State Welfare Board.

Saw mills, logging camps and pulp mills at Everett, Wash., are taking on workers, writes Charles E. Goldthorpe, and some of the mills are paying 40 cents a day more for the work. The Mill Workers and Shingle Weavers Industries are getting together to see what can be done under the Industrial Recovery Act. Mill workers, retail clerks, hotel and restaurant employees are trying to increase their membership. Lumber, shingles, paper, oysters, fish, fruit and vegetables are produced for use in foreign trade. The unemployed work on city and county work and are given from one to three days' work according to the size of the family and are paid at the rate of \$2.50 a day. Educational facilities are being maintained. The Child Labor Amendment was ratified at the last Legislature.

At this time of the year workers are being hired by lumber companies and by the fruit canning industry, writes Robert M. Fischer, but it is only seasonal and does not indicate a real permanent increase in the number working. There has been a noticeable decline in applications for

help by the relief committee. There is some talk of shortening the school year one month.

About 10 per cent more workers were taken on by the Rosenberg Packing Company at Fresno, Calif., writes C. E. Dowd. Employers of commercial printing shops have gotten together under the Industrial Recovery Act. About 30 members have been added to the truck drivers' union in the past three weeks as a result of their organizing campaign. Grapes, olives, raisins and other fruits are produced for foreign trade. The funds of the Welfare Department have been exhausted and they are drawing on next year's supply to take care of the needs of those out of work. The writer is trying to organize a truck drivers' union at Visalia.

At Napa, Calif., the Sawyer Tannery Company, the Cameron Shirt Factory and the fruit packing companies are taking on workers, writes Edward P. Maxwell. The reforestation program has helped the young men. Educational facilities will be maintained.

Wages of women lettuce trimmers at Salinas, Calif., has been increased from 30 to 35 cents an hour, writes W. E. Kent. The sugar factory which formerly operated on two twelve-hour shifts is now running on three eight-hour shifts. Lettuce packers and shippers are active in trade associations. We are organizing lettuce packers. There is no serious want among our unemployed. Adult education and night schools

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abandoned, wages of teachers reduced and a slight reduction made in teaching staff.

At San Diego, Calif., Stanley McGue reports that the chain stores operated by MacMarr and Safety Stores have organized a "company union" so they can control wages. Cotton from Imperial Valley is exported as is canned fish, the latter being our principal industry. Out of a population of 200,000 in this

county, 23,000 are out of work and very little is done for their relief. The school budget has been severely cut; adult vocational education has been restricted and wages of teachers reduced.

Breweries at San Francisco, Calif., are taking on workers, writes John A. O'Connell. On account of lack of work, all industries, except breweries, are working part time. All employers are cooperating with the Chamber of Commerce to see what can be done under the Industrial Recovery Act. Fruits are produced for foreign trade. The city is still looking after those out of work and is feeding and housing approximately 15,000 heads of families, 70,000 in all. Educational facilities will be maintained. We have a minimum wage law for women and minors and have set a wage of \$16.00 a week for experienced workers in the face of much opposition from employers.

Material reported in this section is taken from reports submitted for the month of June.

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